

Cut-rate fare discounter flies into travel industry flak

Warren Berryman
Ministry of Transport is...
...air fare...
...New Zealand, Belgium's...
...Airlines, and a New...
...operator.
...Investigation was...
...by the Travel Agents...
...ation of New Zealand...
...NZ, which brought to the...
...try's attention a round-...
...fare offered by the...
...land-based Link...
...ation, and its associated...
...ies.
...is offering a round-the-...
...fare at a price 26 per...
...below that charged by...
...members.
...NZ members claim they...
...no way to drop fares to...
...with those offered by...
...and still abide by the air...
...regulations.
...NZ members claim they...
...know exactly how Link...
...discount fares to this...
...e.
...TAANZ has provided the...
...y with an air ticket...
...on a Sabena ticket...
...for travel between the...
...ing points; Now...
...d, Los Angeles, New...
...Brussels, London, the...
...and, and return to New...
...d via Singapore. The...
...is valid for one year and...
...ers can be made at any...
...points en route.
...price written on this...
...was the approved price...
...of 47, a combination...
...ay full fare to London...
...return excursion fare...
...the passenger paid only...
...for the ticket.

The Ministry of Transport has asked both Link and Air New Zealand to explain where the \$427 difference between the price written on the ticket and the price actually paid came from.
Most of Link's business is on the New Zealand-Europe-UK route.
Link's business generally goes to Air New Zealand and Sabena.
Link holds the General Service Agency for Sabena in this country through an associate company; Consolidated Air Services.
Link has 240,000 members in New Zealand. Membership fees are \$6 a family.
Members can join one day and fly the next.
Link fills an estimated 10,000 seats a year for Air New Zealand.
TAANZ executive director Peter Lowry said Link was a TAANZ member and his association did not do its winking in public.
But as a matter of principle any travel package or fare should be available to all consumers or agents on an equal basis and not just to certain agents or a certain class of the public.
"We want to protect the consumer so they all have the best deal possible and the travel agent of their choice", he said.
It is understood that some TAANZ members hope the present inquiry will lead to the same sort of air fare pricing review recently conducted in Australia.

Australian inquiries revealed a complicated network of commissions and kick-backs between airlines and certain travel agents and resulted in a total overhaul of that country's aviation policy.
One casualty of that overhaul was Air New Zealand, which was effectively cut out of the Australia - United States travel market.
Air New Zealand's special relationship with Australia's cut-rate tour operator Jetset, provided it with an estimated 30 per cent of its United States bound traffic. The relationship also drew strong criticism from the Australian travel industry.
The Link Association was established 10 years ago to promote the interests of European emigrants to this country. It was founded by a Dutchman, Louis Kuys, and a Swiss, Henry Sigerist.
Sigerist was formerly head man for UTA in this country.
Sigerist did not dispute the \$427 difference between the price shown on the air ticket and the price paid by the traveller. This price was offered to Link members - not the general public.
The difference between the ticket price and the price paid to the airlines was paid by the Link Association of Clubs and Migrant Organisations in New Zealand Incorporated.
The Link Association was a non-profit incorporated society, according to Sigerist.
So where did the Link Association get the money to pay out this sort of passenger

rebates? And did the money come from Sabena and/or Air New Zealand as some TAANZ members speculated?
Sigerist said: "Far too many people speculate without having any facts. I'm not prepared to give any facts and details out. Why should I disclose my way of doing business so others can imitate me?"
"This is fair competition. We are running a club that offers facilities to members which obviously the general public cannot get. That is the purpose of having a club.
"It's a free enterprise

count, announced. ANZ has no right to worth in the activities on its employees.
"In the as place they should not be... and our newspaper, it's not... them but for Link members only," he said.
The company office file on The Link Association contains the society's accounts for those years since its beginning.
The accounts for the year ending June 30, 1977, show the society's income at \$29,857. This income was made up of membership fees, advertising,


Inside:
A BITTER, bloody spring is forecast as trade unions put the finishing touches to big wage claims employers are equally determined to resist — Page 3.
HOPE of a reprieve for the boat industry, in the wake of a 20 per cent sales tax imposition are fading and individual companies are plotting survival footwork. Helen Vouse looks at the future of a fragmented industry — Pages 28-29.
POST Office and Social Welfare officials have devised a system they hope will slash the cost to the State of benefits pocketed by petty criminals — Belinda Gillespie looks at the latest anti-fraud measures. — Page 32.

Cut hits lawyers' earnings

Rae Mazengarb
...tion of the Property...
...on Tax could reduce...
...earnings by some \$2...
...a year; but lawyers...
...charging on the scale of...
...practising will be charging...
...least \$30 worth of work...
...will no longer have to do...
...Budget abolished the...
...line with National's...
...in its 1978 election...
...since it had outlived...
...reasonable usefulness.
...ore \$90,000 revenue was...
...ced from the tax last...
...ial year, of total tax...
...s of \$6,095,000,000.
...responsibility had been...
...on lawyers to process...
...roperty speculation tax...
...because the processing...
...not a matter normally...
...up to lawyers, for then...
...to assess the charge...
...the Newland, president of...
...Auckland Property

Owner's Association; last year suggested lawyers were charging about \$30 to process each property tax certificate.
With about 55,000 property sales each year, that would make an income for solicitors of nearly \$2 million.
The secretary general of the New Zealand Law Society, M. M. Rogers, did not dispute that figure. But he said lawyers were entitled to charge a fair fee.
Solicitors have gained more from the imposition of the tax than Government.
The tax take of \$348,000 in the 1974-5 financial year took a dive to a pathetic \$90,000 in the year ended March this year.
But when the new scale of professional charges was introduced in August last year, lawyers were reminded that the scale now covers property speculation tax certificates, registration abstracts and notices of sale.

Since property speculation tax certificates and registration abstracts were not in existence when the old scale was prepared, it was considered unfair to expect a client to pay a scale fee for the transfer of a property and then pay an additional fee for work that must be done before title can be obtained.
If the tax were ever abolished, that would have to be taken into account when the scale was next reviewed. It was then suggested by Tim Broad, assistant secretary of the NZLS.
With the tax now gone, no doubt the scale will be reviewed and amended accordingly.
But in the absence of review it looks as if property sellers will be paying for a service they won't be getting.
"It may be for each individual client to raise the matter of fees with his lawyer."



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by Colin James

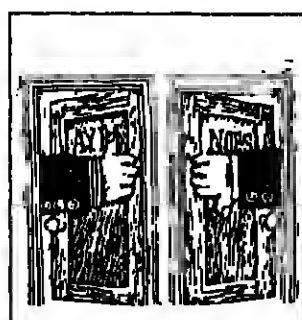
"MOST of all, I think one remembers him as a man who, meeting on a social occasion or in the corridors, would always have a smile, a pleasant word, no matter who he was talking to."

"He was one of the kinder members during my time in the House and one whom it was always a pleasure to meet, whatever the circumstances."

It is one of the paradoxes of the Prime Minister, who has wounded more people than most politicians, that he is capable of an accurate generosity about others when the occasion calls for it.

His comments above were about Bruce Barclay, the genial, craggy giant from Christchurch Central, who had died the day before.

More astutely than any other in the parliamentary tributes



POLITICS

in Barclay, the Prime Minister pointed out the Christchurch MP's essential qualities.

Barclay's conduct, he said, was no different in the House from out of it.

"He was not the kind of antagonist that some of us see across the House. He was a man who made no enemies while he was there."

"He was a warm and kindly man, a strong debater with a big, powerful voice, who didn't mind his words, who spoke knowledgeably and effectively, particularly on matters affecting the agriculture portfolio, but with strong conviction. He was not wont to use some of the tricks which perhaps turn the listener off a little."

Barclay was that — a man without malice, the best of human beings to inhabit the Hill. Chief Labour whip Russell Marshall said his having no enemies was not just an absence of enmity, on the part of people he met, it was a positive friendship.

Marshall was right. Literally everybody did like Barclay. MPs, staff, journalists, pressure group representatives, party members, constituents. I have found no one who didn't.



BRUCE BARCLAY

He was a generous, humble man, no trapeze artist. So low was his public profile that, even though he was an Undersecretary, fellow MP Michael Bassett's gossip book on the third Labour

Government failed to mention him.

Yet Barclay's practical grasp of farming problems — he was a farmer himself — plus his sound grounding in reformist Labour ideals provided some useful motive power for Colin Moyle's high flying act as Agriculture Minister.

Staff say he was clear and precise in what he wanted from them. In Opposition he built up a network of informants and sounding-points that is now bearing fruit in party agriculture policy-making. He would have been minister in a Labour Government.

I have always argued the elitist merits of the highly intelligent, preferably degreed, MP, the person with sophisticated intellectual or administrative skills.

Barclay had neither. Besides the quicksilver Laugesen, Waring, Tizard or Muldoon, he was a plodder.

But he had the still of practical commonsense and patient good humour. He brought home to me the value of the finishing touches to big wage claims which employers are equally determined to resist.

Only one question hangs over the looming battle: when — if at all — will the Government choose to intervene?

Already some unions are resorting to guerrilla warfare after the main attack has been repulsed.

The Drivers' Federation is letting individual branches fight their own battles and it is unlikely the main award

Pressure builds behind a dam of wage claims

by John Draper

A BITTER, bloody spring is forecast as trade unions put the finishing touches to big wage claims which employers are equally determined to resist.

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Already some unions are resorting to guerrilla warfare after the main attack has been repulsed.

The Drivers' Federation is letting individual branches fight their own battles and it is unlikely the main award

talks which broke down last week will reconvene.

Road transport operators, if they obey the directives of the Employers' Federation, will strongly resist the drivers' tactics which are resulting in sporadic bans and strikes around the country.

The drivers' sward starts the annual wage bargaining round and normally sets the tone for the bargaining season. In particular, rates for the unskilled.

The drivers had no intention of settling the main award. Union secretary Ken Douglas made it clear at a press conference before the talks

opened that a settlement was unlikely and a contingency plan had been prepared.

Branch officers and delegates met in Wellington the day before the sward talks began ostensibly for a seminar on wage bargaining and therefore at the taxpayer's expense as part of a Government-sponsored industrial training scheme.

The talks themselves degenerated into a battle between economists from both sides and the delegates returned home fully briefed for the following fight.

Technical experts for the employers and unions will be doing most of the talking before sward negotiations almost certainly break down as the year wears on.

The Employers' Federation has been surveying members and employing more staff this year to analyse the results and prepare cases.

Trade unions are adopting the same tactics. In past years employer groups wanting to get tough with the unions have been

thwarted by members willing to break ranks.

This year the federation is making it plain to the groups it will be representing that they can only hope to win by all standing firm.

Traditionally skilled workers' rates have been set by the electrical supply authorities award and by the metal trades award.

Electricians have benefited from a ratchet which has clawed wages upwards based on the increases given to State employees by the ruling rates survey. That survey, in turn, is based on the rates paid to electricians outside the State service.

This year the ratchet is showing a 9.8 per cent increase. But this will not satisfy the electricians.

Last year the employers attempted to break the ratchet effect, but this year the electricians may concede in return for some inflation-linked index.

Inflation will figure largely in all wage claims. With an annual rate likely to be around

11 per cent by the end of September and 15 per cent in December, big claims are certain.

Skilled unions are determined to at least keep pace with rising cost of living.

Unskilled workers are likely to be even more militant. As the lowest paid they are taking the brunt of the Government's price increases on milk, bread, electricity, and rail fares as well as private sector rises.

The Federation of Labour's application for a minimum cash in hand living wage of \$123.80 may take the steam out of the storemen, packers and shop employees wage claims but tradesmen will be demanding that their margins for skill are at least maintained.

The Employers' Federation has calculated the effects of the October tax cuts and increase in family benefit announced in the Budget to be worth up to a four per cent rise on wages.

Employers regard the Budget as putting the emphasis firmly on after tax

wages rather than gross pay and are taking heart from the Prime Minister's clear warning that excessive wage rises will not be tolerated.

Employers, like the Budget, are putting the emphasis firmly on export industries and measuring wage rises against those industries' ability to pay.

A recent survey by the Federation covering manufacturers and processors exporting \$278 million worth of goods indicates that all costs, including wages, can rise by no more than 8-10 per cent if they are to remain competitive.

Not surprisingly, the unions dismiss the employers' economic arguments, claiming that exports are not price sensitive.

The battle lines are drawn: employers are offering less than 10 per cent, the unions are likely to claim 20 per cent.

If links break down as both sides dig in, the unions are likely to start picking off employers who they consider can afford to pay by using bank working to rule or striking.

Safe seats leave parties with blank cheques

by Colin James

SOMETIME in the next few weeks we, the bystanders, will be treated to an example of New Zealand democratic electoral politics at work.

Six people, with a little help from maybe about 100 more, will meet to decide who shall represent the electorate of

Christchurch Central in Parliament.

Then the 100 Labour voters in the electorate will be invited to acclaim the choice.

If past experience is anything to go by, somewhere between 6000 and 8000 will.

That is what is known as a by-election — a safe seat.

Only the very dense or the supremely optimistic or pessimistic doubt that the Labour Party's candidate will win.

Yet so deep is the Anglo-Saxon's love of parlour games, that a remarkable number of people will play their part in the charade.

You've got it: crowds of voters crossing out names on ballot papers — "demo"; vacuous speeches exhorting voters to the demo — "crns"; the ritual squeal of delight of the elected member — "ee". Still, by-elections have a place, apart from bringing up the numbers in the House.

Some people think you can measure the Government's popularity by them.

In 1959 Lance Adams-Schneider cemented Hamilton for National with a sizable swing that was widely thought to be an adverse comment on the Labour Government's Black Budget of the year before.

Amid rock bottom wool prices in 1967, Labour's Bruce Barclay nearly took Foundation — the seat it had been thought impossible for a National Government to lose.

In 1970 rising tides of prices and Māori protests swamped National's attempt to hold Marlborough, causing a traumatic psychological paralysis in the Government from which it did not recover before its demise in 1972.

So the political analysts will be out in force after the Christchurch Central by-election. Will it, for instance, vindicate the NRB poll published last month?

There are no published poll figures for 1969 and 1967, but in November, 1970, NRB showed a 16-point Labour lead. Last month's Labour lead was 10 points, its best since the Rowling Administration's honeymoon in 1974.

The club life even carried out with it National's star poll performer, the Prime Minister. Mouse Rowling erupted ahead of Rough-house Rob by one percentage point as the person the poll respondents most wanted to be PM.

Ignominious piles on ignominy. Near-defeat in November was had enough. It seemed to take until last week, when the Budget was out and he had the Public Service Association by the short-and-curlies for the Prime Minister to recover his old jauntiness. And now this.

By any ordinary standards, being only one point behind after 3½ years of dismal economic news would be thought pretty creditable.

But from such a height has fallen, that this finding will swell the ranks of those (including some in his party) who think he is on the way out.

The loss of a by-election in a marginal seat — to Social

Credit in Kaipara, for instance, or in any one of a dozen seats vulnerable to Labour — or even a big gain in a Labour marginal would make rehabilitation even difficult.

But the by-election is a safe Labour seat. In safety you can get some odd results.

One week in Britain in 1974, for example, swings of 10 points in three safe Labour seats ranged from 10.8 per cent to 27.3 per cent. The message was clear: a detailed analysis of any of those results would have been futile.

National could bury a possibility of adverse comparison with last year's election in Christchurch did not put up a candidate. But the party has still will contest the seat.

The by-election's value to the political bystander is the meaning of its results in its demonstration of the way we select our MPs.

Three people appointed Labour's head office, three elected by delegates the electorate committee aided though not bound by a vote of members who in the selection meeting decide the MP for the district.

That method may pass democracy. More democracy would be some sort of participation — of registered Labour voters perhaps, of all voters.

In marginal seats the country is not stuck with the result for good. But in safe seats, selection plus subsequent politeness to the people means life tenure.

In the past both parties have put some of their dunderheads into safe seats. In time, a fair number of their dunderheads have got into Cabinet, largely because they survive swings that toss out better people in the marginal.

Things may be looking up. This year's crop of new MPs those in safe seats included a cut above any I have seen more than a decade.

But the democratic principle remains. Should we continue to leave a blank cheque for the parties?

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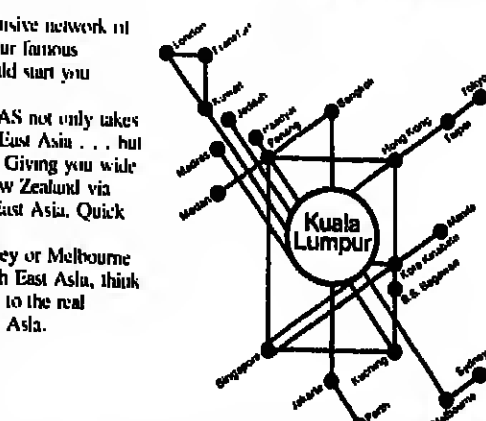
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Page 6 Good news for the out-of-towner

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EDITORIAL

Rob Muldoon is a pragmatist. And so he is now pressing to extend his freedom to make decisions without reference to the public's elected representatives. He wants the freedom to change income tax rates — a right that, in Westminster-style democracies, for centuries has been jealously guarded by Parliament.

Muldoon emphasises a need for flexibility in policy-making to keep the economy on a "steady course", and maintains that recalling Parliament to authorise fiscal measures is "not always practicable".

Indeed, it is alarming to learn from the Prime Minister that "a very dangerous situation" needing immediate action from the Government could develop; and that giving him the power to alter tax rates could be "the difference between sliding into a recession which we can do quite rapidly, and keeping activity up".

Perhaps Muldoon's strangest argument is that unless he can move as he proposes, the wishes of Parliament will be thwarted because, in real terms, taxes are being increased through inflation and rapidly rising incomes. Thus, fiscal drag results in a greater proportion of the national income being taken in tax than Parliament intended.

But as the then president of the New Zealand Chambers of Commerce, Mr Greenfield, counters, the changes in the tax rates are not minor matters, and the fact that changes become necessary is the end result of economic factors which should be fully debated in public.

Fundamentally, if the executive can be empowered to reduce income tax by regulation, it can be empowered to increase taxation. Thus a crucial constitutional principle is at issue.

Since the proposal was announced on Budget night, Muldoon himself seems to have recognised at least that the idea is under strong criticism. So now he is disclaiming originating the idea. It had come from department officials, he said last week, but had been closely studied by the Government before being acted upon. And he insists that only move the Cabinet took would have to be confirmed by Parliament (although he declined to say when).

Disputed backbenchers may be tempted to accept a compromise — for example, enlisting Parliament to ratify such a regulation within 11 days. A parallel provision in the Public Safety Conservation Act requires that a Proclamation of Emergency be ratified in 11 days, or it will lapse.

Much better would be insistence on changing Standing Orders for Parliament to be called together for a specific purpose without the rigour of a Speech-from-the-Throne and Address-in-reply.

Regardless of these possibilities, it remains a dubious proposition that Parliament could not now be summoned in time to act quickly. In 1971, it was called together promptly in February for the Stabilisation of Remuneration Act to be passed. The measure was considered too important to be effected by regulation (although it could have been done that way under the Economic Stabilisation Act). And in 1958, Parliament was called when the Labour Government wanted to give everybody a tax rebate (a tax reduction).

And when it comes to a question of avoiding the problems of fiscal drag, it is a simple measure to index the tax rate so that Parliament's wishes are not thwarted.

Even after Muldoon put his arguments to them last week, some National backbenchers reportedly remained unconvinced. Muldoon said he was sure common sense would prevail.

There's nothing it does — and that every right-thinking backbencher firmly cautions the Prime Minister that they will cross the House to ensure that this Bill is defeated. If the Bill proceeds nevertheless, they must then put that promise to good effect and vote with the opposition.

Bob Edlin.

HOW to make farmers produce more and help the country climb out of the economic mire is a problem long troubling politicians and academics alike.

But we hear that Agriculture Minister and some-time farmer Duncan McIntyre has found the answer.

Some farming friends of ours say he has made it known to them — and maybe around the Cabinet table — that the only way to boost production is to get farmers on their beam ends so they have no choice but to produce more to survive.

But when it comes to tourist thwarting protectionism, Wellington has nothing on Canberra.

West Australia, with its large Kiwi population is a natural for the visiting friends and relatives tourist market to New Zealand and vice versa.

And when it comes to contrast, the Sandgroppers would find this green and pleasant land as inviting as the Kiwi would find West Australia's lined vastness exciting.

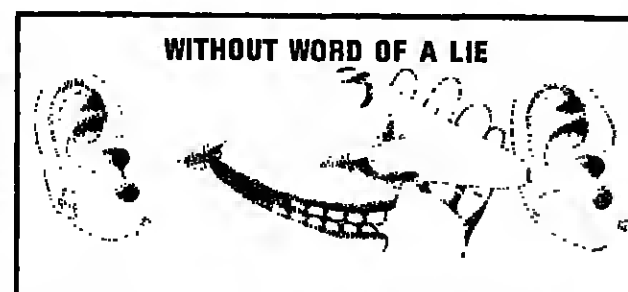
Trouble is, Canberra's two-pronged policy protecting TAA and Ansett, prices both West Australia and New Zealand out of each other's market.

The only direct service between Auckland and Perth is offered by British Airways who would like to offer cheap fares on this route. But Canberra says, "no way".

The Auckland-Perth fare is AS\$67 one way, made up of Auckland-Melbourne \$A180 and Melbourne-Perth \$A177. The high price paid for the Australian internal section results from Canberra's refusal to allow British Airways to undercut TAA and Ansett's prices — even though the internal Australian section is an extension of an international flight.

The recently announced cheap trans-Tasman fare is not available to British Airways as part of an Auckland-Perth fare.

Also two special domestic



DISTANCE disadvantages New Zealand in the international tourism stakes. And our Government's policy of protecting Air New Zealand from fare cutting competition makes the kilometres dearer still.

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cul rate fares cannot be used to lower the fares out of West Australia. One of these: the "add on fare" applies to Australian originated travel and can be used by any international airline having rights on Australian domestic routes. This can be used by any airline going to the United Kingdom, Germany, Yugoslavia, the Netherlands, Canada, and the United States — but not to New Zealand.

The other — a 30 per cent reduction, is available to TAA and Ansett and any international carrier with travel rights on Australian domestic routes over 1005 kilometres.

But inside the country it is available only to the two Australian domestic airlines.

So once again the Sandgroppers are kept extra travel dollars away from a holiday in New Zealand.

IF nothing else, the Act Compensation Commission, playing a useful economic role by helping to patchy, bruised egos and from hardships of those whose political reversals.

First, the ACC preside over high wages, was only just settling into its High Commission's London in 1975 when the Government and later Prime Minister Rob Muldoon became involved in a Labour appointment to his own man into the post.

Now Watt is quitting his ACC commission, it means that Bert Walker, the heave-ho from his ACC commission, can move.

But whether the new job fully compensates Bert for the general election result, matter of opinion.

According to the Auckland Star, Walker has said his expenses will be so high that he "will be lucky to make anything at all" out of an estimated salary of more than \$30,000 which will form the bulk of his income of about \$380 a week.

The salary is fixed by the Higher Salaries Commission, which maintains a discreet silence on just what it has decided.

But the Star did a few sums based on figures that were publicly known, and guessed that Bert would perhaps be given a salary of \$34,800 — plus, of course, a \$10,125 pension based on his 18 years' service as an MP, and national superannuation of a further \$5851 a year — a grand total of more than \$45,000.

But Bert says he won't be buying a house in Wellington; travel costs, accommodation costs and the taxman thus will leave him with only some \$4000 a year from his commissioner's salary.

Deposits were: five cents for all reusable bottles that can be used by more than one company, 10 cents on bottles unique to one company, 15 cents on litre and large plastic bottles, and 10 cents on 500 ml plastic bottles.

The result: less than 10 per cent of the total number of beer bottles within six weeks of the cost of handling and by bottlers, retailers, and distributors pushed up to a six-pack by 20 to 30 per cent.

The conservationists accused drink manufacturers of using the anti-litter law to push up their prices. It claimed that, as 10 per cent of the bottles were never returned, the beverage makers, retailer, or wholesaler originated the deposit, as up with millions of dollars unclaimed deposits.

Michigan is seen as a case for this sort of anti-litter legislation in the US States.

New Zealand usually fits in American footsteps in matters for better or worse. It might be wise to watch consumer as well as container.

FREEZING workers are being called to the defence of the Christian flag to stop fanatic Islamic slaughtermen laying New Zealand to waste.

An unsigned and otherwise anonymous handbill is seeking fellow crusaders from amongst the ranks of freezing workers in the Auckland area.

"Brothers in the freezing industry — examine carefully any decision about Islamic slaughtermen in New Zealand," it reads.

"Islam is a dangerous and vindictive master."

"It is a manifestation of the spirit of the anti-christ. Can we afford to allow fanatics loose in our land? Wherever Islam has held sway it has turned the cultivated land into a desert. It has kept women in servitude. 'Corrupt New Zealand leaders of Islam will as likely as not be sought out for attention by fanatic Islamic slaughtermen.'"

On the reverse, clippings from the Auckland Herald point to the dangers. The first is from the public notices column announcing a prominent city Moslem's application for a liquor licence for his restaurant in the city.

Another reports the vast quantities of champagne, wine and spirits from Tehran's top hotels, poured down the drain on the orders of the recently installed Islamic Revolutionary Council.

Could, we wonder, there be a wine quaffing, green fingered, women's libber with Christian virtues somewhere in the backblocks prepared to defend Godzone's integrity to the end?

THE export incentives — promised by the National Party's election manifesto in the heady days of 1975 and finally announced four Budgets and a few days later — augurs boom times ahead for shareholders in freezing companies.

According to the Trade and Industry Department's explanatory document headed "Export Performance Taxation Incentive", value added beyond the farm gate or minehead qualifies for the incentive. And if you comprehend simple English as we are smug enough to think we do, that should mean that the incentives apply to freezing companies, for example, for the value they add to sheep, lambs and so on after they have been trucked out of the farmyard and before they are shipped off to customers abroad.

That would be a bold (and costly to the taxpayer) step forward... one which we would have thought the Prime Minister would have drawn more attention to on Budget night.

A cheek with Trade and Industry will establish that... yes, there is a vague suggestion the incentive apply to freezing works. But produce from freezing works continue to be excluded from such incentives.

PERHAPS the managing director of the TNL group, Garth Butler, is a man of simple tastes; perhaps he was too busy looking after his guests at the Newmans' centenary luncheon to look after himself, or maybe he couldn't bear to touch anything for lunch after one of the guests of honour, Rob Muldoon, told him the Government still hadn't made up its mind about jettisoning.

Whatever the reason, within a couple of hours of the big blow-out at Nelson's Trafalgar Centre with oysters, scallops, turkey, sucking pig and other goodies, Garth Butler was seen placing his order at the counter of his local fish and chip shop.

AGRICULTURE Minister Duncan MacIntyre, addressing the annual con-

ference of the Royal Agricultural Society of New Zealand left them with food for thought.

The fella cheese made from local sheep's milk by the Barry's Bay Dairy Company had been selling well at \$5 a kilogram, he said. But much more research needed to be done before many of the commercial unknowns were overcome.

"At present France milks about 10 per cent of its sheep flock. If 10 per cent of New Zealand's 40 million ewes were milked and averaged 120 litres per ewe and fella cheese sold for \$2.75 a kilogram, then earnings from these sheep would be worth \$300 million a year..."

IN the "So What?" department (or, "It's a Big Deal to Truth but No One Else Care"), is corroboration, from a usually reliable source, that the Clerical Workers did indeed vote for Douglas as FOL secretary.

The Engineers Union, which holds one of the largest blocks of votes, is reported not to have voted at all.

Trust the PM's favourite weekly to break out the big deal non-secret in town.

HQJATOL Islam Muhadavi, one of the two high ranking Iranian religious leaders who visited New Zealand earlier this year, is returning to supervise halal slaughtering.

His appointment and the minor alterations in the works he is likely to demand, are the only changes needed before the lucrative Iranian market is opened to New Zealand meat exporters again.

Superficially little else will change. Meat exporters will carry on negotiating through their appointed agents who will deal with the Iranian Meat Organisation, but the Meat Producers Board, in consultation with the Meat Exporters Council, will have a watching brief over the trade which is expected to grow to 50,000 tonnes a year.

The Board has declared from an "underdeveloped market" allowing it to control prices and direct sales as necessary. In practice this is expected to make little difference other than to ensure New Zealand gets a fair price.

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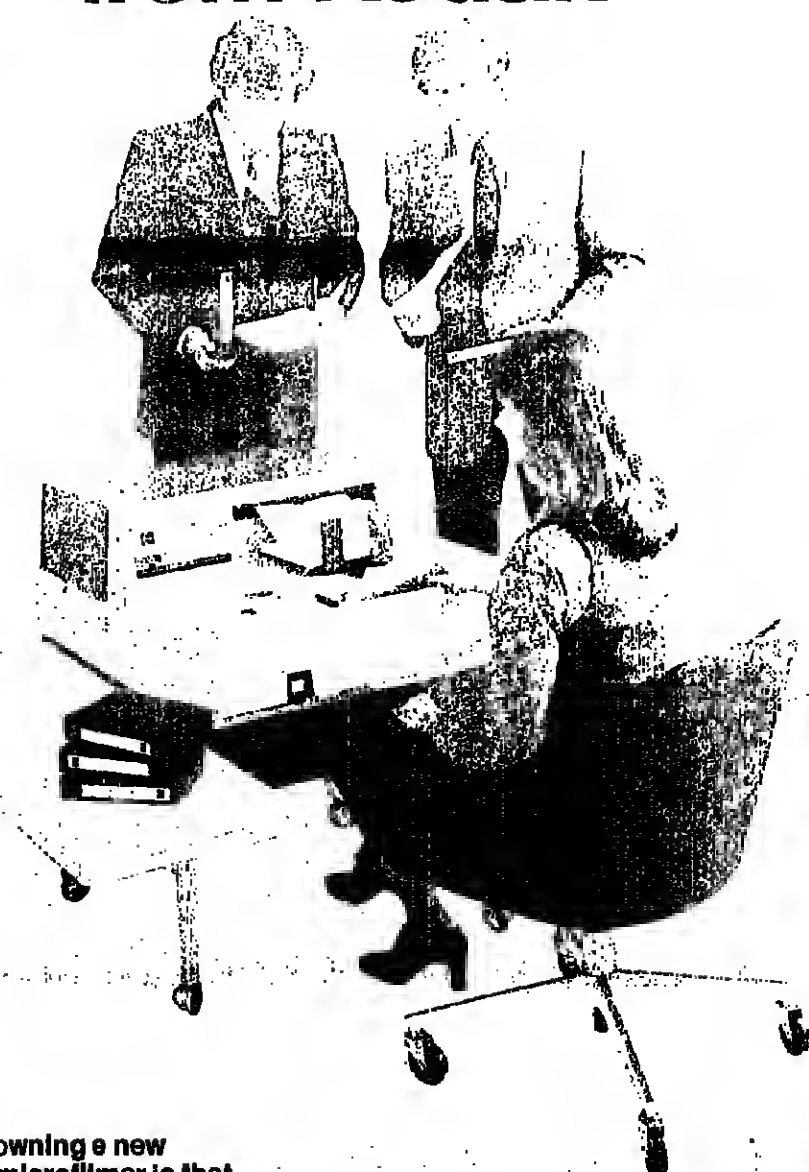
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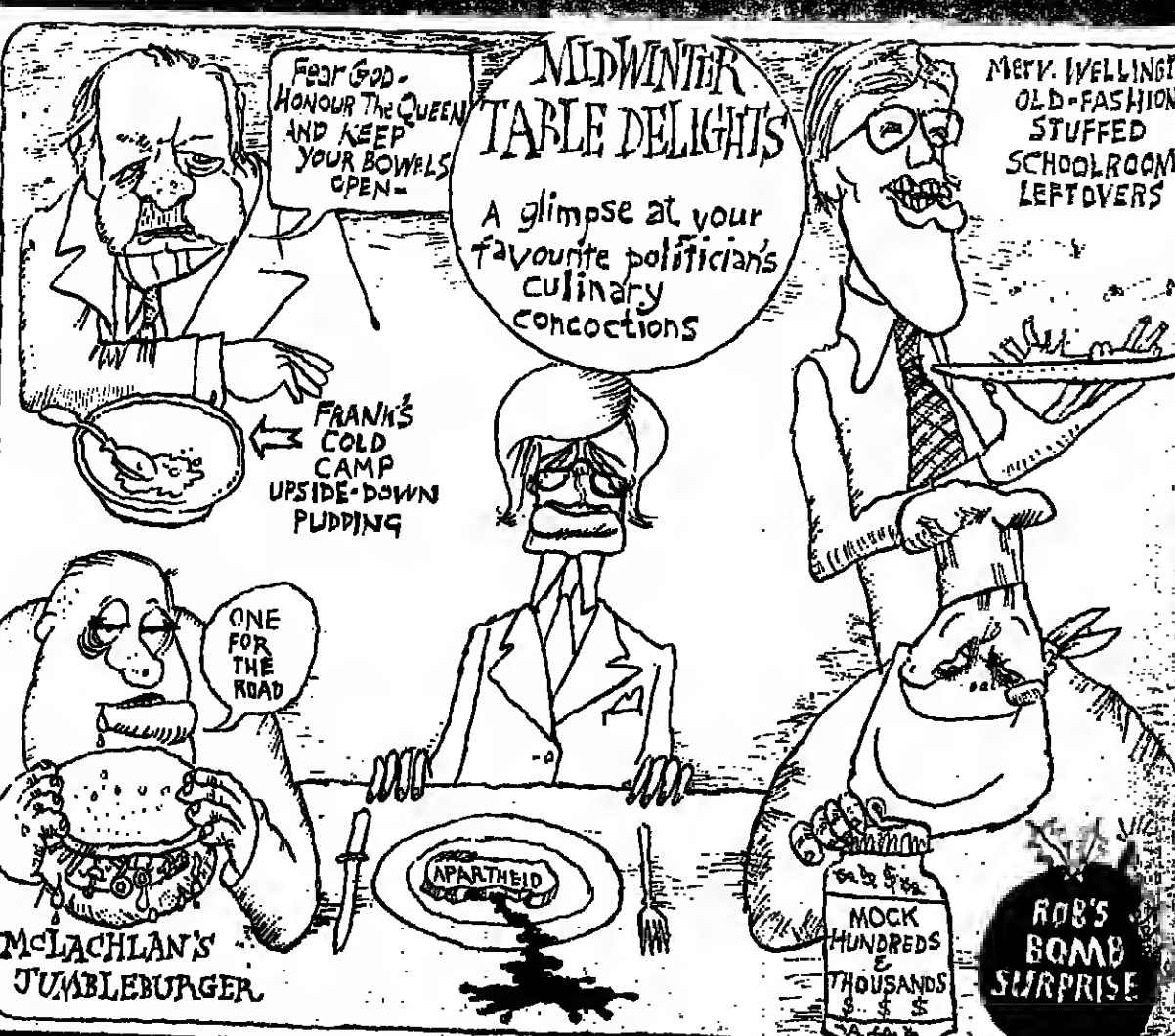
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Commercial factors becoming too dominant?

A MAJOR reason for government controlling certain key industries is the conviction that the post, transport, mines and television are operated more efficiently in something which could be called the public interest. Indeed, it is obviously in the public interest that they be operated efficiently.

Otherwise the resultant waste of resources deprives the community of additional goods or services or leisure which it otherwise would enjoy.

The problem is to identify efficient operation.

Unless the words "in the public interest" have some meaning, there is little point in public ownership of anything.

If a public authority operating transport services does not take into account the economic and social effects of its actions, but confines its attention to its own profit and loss account, what conceivable reason can there be for putting its operations under public ownership?

If this question were purely one of private profitability, then any individual or firm — Joe Bloggs or Bloggs Ltd — could produce the goods or perform the service, and there would be no problem and no economic case for public ownership.

Thus the meaning of "the public interest" obviously relates to possible conflict between private profitability and some apparently desirable act or omission.

If two individuals make a deal, any other individual affected by it is external to that transaction. If a factory pollutes a river, that is an external diseconomy.

If the factory itself owns fishing rights in the river, it is an internal diseconomy, for now it is an economic unit which could be defined as factory-and-fishing.

Such a unit "internalises" what would otherwise be the external effects of industrial waste on fish.

A shipping service to a holiday island, if its operators have no financial interests in the island's hotels, is financially indifferent as to the effects of its services on these hotels' profits. They are external to its operation (although the hotels' existence does contribute to demand for shipping services).

But the hotels may be owned by the shipping concern, or the hotels consortium may own and operate the ship.

In either event, there is a ship-and-hotels firm, and the externality will have been internalised.

People attracted to the hotels use the ships, and the hotels could not make money unless the ships took the customers to the island. In this situation, it would be hard to identify the profits attributable solely to ships or solely to hotels.

A principal argument for public operation and control of any sector of the economy is that it permits the internalisation of externalities. Indeed, this is what "taking the public interest into account" means.

Thus a public transport group's raison d'être should be that it can take broader social and economic interests into account, whereas separate private bus and shipping companies cannot.

The doctrine of "commercial operation", on the other hand, begs questions: ● The negative consequences of an excessively fragmented view of profitability;

● Goods and services which do not pay on any economically reasonable definition of "pay" but which should be provided on social grounds. This raises the question of subsidisation.

● How far a monopoly should be compelled, as a condition for its existence, to undertake activities which, given its monopoly position, would not pay.

A public monopoly, if told to operate "commercially", will tend to behave in exactly the same way as a private monopoly.

Indeed, it can be argued that it would be worse. A private monopoly is generally supervised by some sort of regulating body, to prevent abuse of its position. In some instances, there are imposed statutory duties.

A public "commercial" monopoly is subjected to few constraints. It is told to make money, and the Government deliberately refrains from interfering with its day-to-day operations.

Thus it must be expected to behave as a private un-supervised monopolist would, if in addition he was protected by law from competition.

Suppose that razor blades are a public monopoly and the operational criterion is the volume of profit, perhaps modified by some sort of output or turnover target.

What possible interest can the nationalised razor blade firm have in making its blades sharp?

Indeed, profit and turnover alike might benefit from blades which have to be

INCREASED Post Office charges ... cutbacks in rail and broadcasting services ... and public held to ransom because these services are run by public monopolies.

Above all, these state enterprises seem preoccupied with their income and expenditure accounts. But what about their duty to the public? What about service?

If profit is to be the only measure of their success, why not put them into the hands of private enterprise?

These were among the questions considered by economist writer A. Nove in his book "Efficiency Criteria for Nationalised Industries" (London, 1973).

Some of Nove's arguments — extracted and condensed from his book — are presented here because of their pertinence to the situation in New Zealand where increasingly, commercial considerations are being put before the public interest.

thrown away after three shaves.

Under competition, it pays to be sharper than the other manufacturers.

Under a public monopoly, blades will not be sharp unless there is either a moral or imposed duty, because without competition the extra cost of making them sharp becomes "avoidable".

"Duty" or "purpose" are words almost unknown to micro-economists. But without them, state industries cannot sensibly operate, nor can their function be adequately defined.

A bus makes more money if passengers are crowded than if there are empty seats, and a shop operates more "economically" the more turnover per employee, less cost as a percentage of turnover if customers stand in line.

A queue always pays the supplier of any goods or service, unless the customer can go elsewhere.

Good services of any kind incur a cost, and the corresponding gain is goodwill. The word goodwill also is unknown to micro-economic theory, because it is inconsistent with marginalist fragmentation. It asserts that what is done in one transaction affects other transactions, providing a good reason for not regarding each in isolation.

Poor service can take many forms, from failure to provide goods or services when people want them to mere indifference and rudeness.

To be able to provide things when needed, one must carry stocks, have reserve capacity. Stocks and reserve capacity involve costs.

In theory, competition compels good service. Nationalised monopoly is not compelled to provide it, unless it takes pride in the efficient fulfilment of its task (moral incentive), or its operational criteria are defined to encourage the carrying out of the purpose for which the public enterprise has been established.

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posed by a bemused Labour government removed such considerations from the Post Office's own operating rules.

The terms of reference of British Rail's management are exclusively commercial.

There is no duty to run any service, except that the closure of passenger lines requires the consent of the minister.

Management is given carte blanche to charge whatever the market can bear.

It is not for British Rail to consider the effects of its decisions on manufacturing industry, on regional policy, on tourism.

So why have nationalised railways, if their terms of reference are so inward-looking?

The measure of their efficiency is dissociated from the very purpose of their existence. Or rather, it is assumed that the railways' accounts will reflect the degree to which they are carrying out its purpose.

At the time of the Beeching report (1963), there was no doubt that railway mileage was excessive, and some pruning had to be done. Some lines were little used, with trains carrying a handful of passengers.

A connecting bus would have done as well, at lower cost.

But the railway management in recent years saw no point in ensuring that any connection in fact existed. It was the Ministry of Transport which insisted on there being buses.

It is as if the accountant calculated that only main line traffic paid, oblivious of the fact that the ultimate destination of passengers or goods may be off the main line, and that it is of interest to the railways that they complete their journey.

Indeed, one of the most difficult problems of accounting is to assign revenues to a section of a system, precisely because a system abounds in interdependencies.

The point is that the separate profitability of a part of a system cannot be measured save in the context of the whole.

A firm is, in one of its aspects, a system of activities. The manager who wants every part of his system to pay may end up with an overall deficit.

Something like this has been achieved by British Rail with goods traffic. No longer bound by common carrier obligations, it has acquired a

reputation for picking and choosing.

Andous to minimise the number of unused wagons, has cut back spare capacity that urgent loads to catch up at ports may not get there in time. The word gets round. Lorries are bought, and then used at times when railways would be glad to take business.

Yet the management to achieve this result by adherence to what seem textbook criteria. It is investment in extra wags used only at peak periods, not bring in a return, but would appear not to be economically sound to private firms.

Consider an urban public transport system. If one (say) 20 bus routes in a city and passengers change to one bus to the city, it is a loss to the city, but a gain to the bus company. It is a loss to the city, but a gain to the bus company.

The same is true of new world over.

There are problems of complementarity and divisibility, not only vehicles but also passengers' journeys. Some of the passengers who go outwards at "profitable" times may wish to return their homes late (or may be uncertain as to whether to do so), and would be a car or a bicycle unless there were means of getting home what might appear to be "unprofitable" time.

So what is the point of the transport monopoly other than for the provision of a system?

Increasingly, the logic is disassemble the system, operate only the profitable parts, and to suspend a route or service which is specifically subsidised.

What, then, is left of a system? Why not make a bus a separate limited company, run for its own profit?

The point is that the organisation providing transport for an area must be a job, or else a free will of all corners.

This is no case for confining the task to a public monopoly, banishing others from competing, and then asking it operate on so-called commercial criteria. That makes the worst of all possible worlds.

Soaring state prices signpost inefficiencies

by Rae Mazengarb

BIG increases in Post Office charges announced in the Budget are further signs of the Government's failure to hold costs in the service areas.

The private sector is being asked to tighten belts and hold costs by absorbing them and looking for efficiencies.

But the Government has asked costs on to the consumer in essential public services over the last few months.

The increases have filtered through sporadically.

The Budget announced there would be increases in Post Office charges. The details followed a few days later.

Many companies say they will have no option but to pass on the increases through their own charges, where that is possible.

Others say they will be forced to absorb them — specially where their products compete on international markets.

But the general feeling is that price rises will occur across the board because of the Government move, and a higher inflation level will result.

The possibility of large-scale consumer resistance to increased charges is already worrying businessmen.

Consumers have yet to face power bills which reflect the full increase in electricity charges.

Increased postal and telecommunication charges and their flow-on effect will add to the burden on the ordinary bloke.

Crises insist it is time the Government positively declared whether the Post Office should be run along business lines — a true user-pays system — or as a social service.

If it is to be run as a business, it must be appreciated that there are areas which can never be economic — such as rural deliveries.

It is a fallacy to even talk about user-pays now, because many areas of operation are being subsidised by consumers of other services.

The increased Post Office charges are expected to yield an extra \$46 million this year. Last year's annual report has yet to be tabled in Parliament (it is still being processed). But it appears likely that a \$50 million profit was made last year.

So why the increases?

Postmaster-General Ben Couch said they were necessary to maintain the Post Office's profitability in the face of rising costs.

"The Post Office was restored to profitability operation in the first year after we took office and, in keeping with this policy, the Government firmly believes the Post Office should continue to run on broadly user-pays principles."

Thus, increased charges are necessary if it is to remain a viable undertaking, paying its way and contributing to its capital development programme from its own resources," Couch said in his Budget press statement.

Asked if the Post Office was contemplating new major capital works such as videodata, Couch said: "The Post Office has large capital works programmes each year. These invariably include major projects as well as small ones, but no present proposals for the adoption of videodata systems."

Asked what was the expected increase in the wage bill, a press officer said the question was hypothetical. At this stage it would be foolish to quantify, he said.

THE increased postal and communication charges follow substantial increases in the prices of electricity, coal and railways services — plus petrol prices.

In February, the Government announced a rise in the bulk electricity tariff of 60 per cent from May 1978.

Supply authorities were obliged to raise their retail prices around 45 per cent on average to cover the increase.

Government income is expected to increase as a result by some \$172 million to \$535 million.

The move was made to offset the interest bill which had risen from \$33.3 million 10 years ago to a projected \$173 million.

In April, Cabinet approved an increase of 16 per cent on average in the price of coal from State Mines — also effective from May 1.

Next on the list came railways charges, hitting suburban commuters for an extra 20 per cent on road and rail services from May 13.

It's likely a further increase will be announced within six months.

Other increases in railways charges of 10 per cent were deemed necessary to help cover large cost increases.

The department expected to net an extra \$24 million from the increases. (Charges had been raised by an average of 12.5 per cent only last July).

On the heels of those increases came the Post Office charge increases.

Postal rate increases — ranging from 40 to 80 per cent (postage costs for newspapers goes up from 5 cents to 6 cents); apply from August 1; Telecommunication charges (increases of between 10 and 20 2/3 per cent) apply from October 1.

The general manager of the MED in Wellington, J. H. Vernon, said that "ultimately the consumer must bear the increases."

"In the long-run we can never absorb any cost at all," he said.

"Neither can we recover immediately from the consumer, since our tariffs have already been set for the next 12 months."

So the increased charges will be recovered next year when

the electricity supply authorities go for their next tariff increase.

Vernon estimated the increases would cost the MED an extra \$70,000 each year in postage.

Perhaps there will be a growing tendency to reduce the number of warnings sent out for late payment of bills, he suggested.

"We haven't discussed this, but we may be forced to do this ultimately."

Wellington mayor Michael Fowler said the increased charges would cost the city council some \$40,000 each year.

This year's estimates have already been finalised and did not allow for extra expenditure in this area, so there will be a shortfall of \$20,000 this year.

"We'll have to cope with it next year," he said.

He said the council would tighten belts in efforts to save costs but hastened to add, it

wouldn't mean the council would be sending out fewer rate demands.

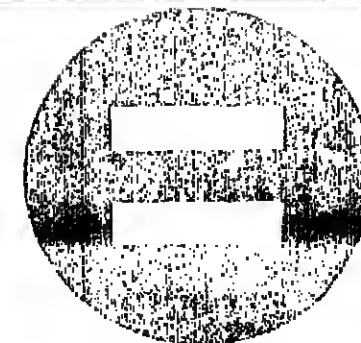
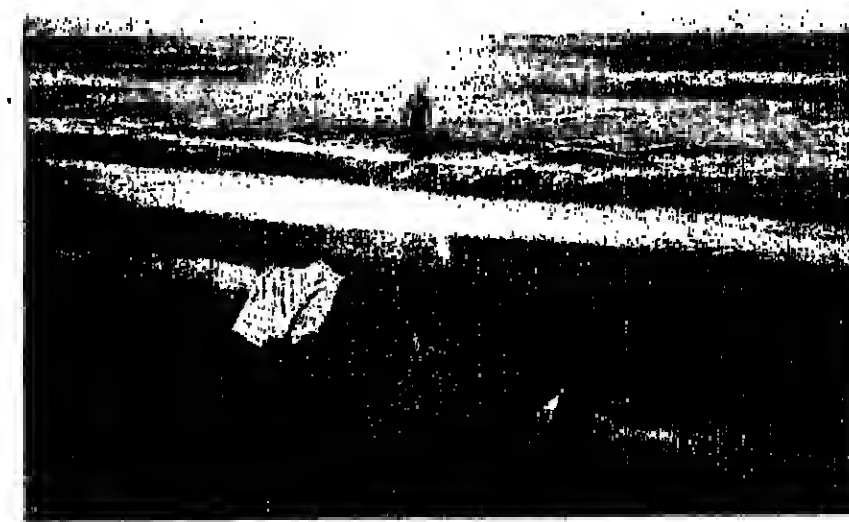
General secretary of the Post Office Association Ivan Reddish said the question of Post Office charges should be closely examined.

No Government had come out positively on the question of whether the Post Office should be run as a business or a social service, he said.

"Obviously the Government has abandoned any ideas of trying to curb inflation," said Reddish, pointing out that the business community will eventually pass on these increased costs — along with the increases they have already faced.

Reddish complained that Government should not be allowed to get away with statements that the New Zealand Post Office service was one of the cheapest in the world. "We have to look further than the cost in dollar terms," he said. A comparison of wage rates, and prices in other areas, would give a better indication.

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Taxpayers boost incomes of tourism giants

BUDGET incentives for tourism have been widely welcomed to the industry as a whole, but the principal beneficiaries will be the larger integrated tourist operations. The major move for tourism in the Budget was the Government's decision to extend the new export incentives to the tourist industry. Although the industry largely earns its money by bringing visitors to New Zealand rather than exporting goods and services to other countries, new thinking among operators has stressed the export orientation of the industry.

Tourism will now be eligible for the most important incentive — the export performance incentive — at the rate of 10 per cent for net foreign exchange remittances sold overseas and paid for in foreign currency prior to the visitor coming to New Zealand.

That means that any tourist operator within New Zealand earning foreign exchange from tourists passing through his shop or game park, buying a meal in his restaurant, or travelling in his coach or rental car will get no benefit

from the incentive unless his service was part of a pre-purchased overseas package.

Clearly, the incentive which gives either a tax credit of 10 per cent or the equivalent cash grant, will be of little use to the small scale operator not hooked almost exclusively into a major tourist operation.

Tourism Minister Warren Cooper says the scheme is designed to provide benefits back down through the chain from the programme seller to the actual provider of the services and thus help keep the tourist operation competitive internationally.

"It is expected that the incentive will flow on to those who provide tourist services in the same way as has been the case with the incentive for the export of manufactured goods," Cooper said.

While the travel agent selling a package tour overseas will receive the rebate credit in the first instance, "it is a basic concept of the incentive that, although available in the first instance to the final seller, market forces will ensure that there is a flow on from the seller to

those who actually provide the service.

"Marketing arrangements and the negotiation of hotel tariffs and rates for other services are therefore expected to reflect the availability of the tax rebate to the agent and thus ensure the benefit flows on and is shared throughout the industry," he said.

The Government's willingness to rely on market mechanisms looks comforting in principle, but it does seem endless scope for arguing within the industry how the benefit is to be shared

out among agent, tour wholesaler, ground operator, hotel owner and the providers of sightseeing and related services.

The more of those functions which can be brought under one corporate roof will bring a bigger benefit and a more smooth operation to that company, as well as allowing for discounting some particular parts of the operation where competition is particularly strong, knowing that it can be made up in less competitive areas.

Singapore operates on such a

principle with cost cutting in one area made up for elsewhere.

As such the incentive will clearly favour the larger integrated tourist firms at the expense of single function operators of services.

Tourist and Publicity Department general manager Mike Roberts, who is seen in the industry as the major architect of the scheme as it applies to tourism, says the scheme will cost the Government \$7-8 million a year.

As yet another export subsidy, the scheme also represents a net transfer of wealth from the taxpayer to larger firms in the industry. It leaves out of its coverage, small companies who depend on the big boys to bring the business into their areas — souvenir shops and the like.

According to Cooper, the incentive will bring "improved profitability, more attractive investment prospects, increased promotion and marketing overseas, while keeping New Zealand tour costs competitive with other destinations."

The incentive scheme for market development has also

been revised and a new scheme providing grants for new market initiatives has also been introduced.

The much hated travel tax has also been abolished and replaced by a 25% departure tax. This also has the effect of ridding the industry of a burden and putting it onto the New Zealand traveller, and at no cost to the Government.

Increased depreciation allowances for rental vehicles and sales tax adjustments for motor coaches did not make it into the Budget statement, nor did more mundane matters like new training schemes for staff.

But the most obvious gap is still in the accommodation area. There was nothing in the Budget which the industry can see as helping to build one more hotel room.

While the incentives will improve the profitability rate for hotels — provided the benefits do filter back through the chain — more specific measures like tax holidays, better depreciation allowances, regional incentives among other suggestions still wait for the nod of Government approval.

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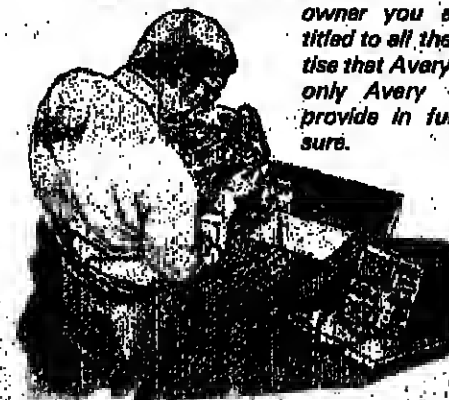
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NBR BUSINESS WEEK

Banking moves stir up competitive elements

by Peter V O'Brien

THREE developments in the banking world last week suggest that the trading banks are moving into an increasingly competitive environment which may influence other financial institutions.

The Bank of New Zealand will act as agent for the BNZ Finance Co Ltd in the field of hire purchase transactions, according to a statement by chairman George Chapman of National Party fame at the annual meeting.

The bank's 231 branches will move hire purchase deals to its

40 per cent owned finance subsidiary. Chapman called this an "important development". It impresses as one which will have an effect on other finance companies.

BNZ Finance has been a low key operation for many years, but has been changing.

First was the acquisition of the other Bank of New Zealand 40 per cent owned company, First New Zealand International Ltd, a move which I criticised at the time on the grounds of the price paid relative to the performance of the merchant bank. The combination of the two com-

panies obviously brought benefits to the enlarged group, which are showing up in profitability.

The decision to use the bank's branch network has advantages for BNZ Finance. An integrated finance service operation with the bank allows business to flow to the finance company, without the overheads which other finance companies incur in a national branch system.

The Bank of New Zealand currently controls about 40 per cent of the country's banking business, and therefore the finance company has access to

a potentially large number of hire purchase clients, at comparatively low cost, depending on the terms of the agency agreement with the bank.

Most finance companies have a well developed agency system throughout New Zealand, using chartered accountants in the smaller towns, but none is able to muster 231 outlets.

The trading banks are all involved in finance companies (National General Finance; CBA-Marac; ANZ-UDC; NSW-Australian Guarantee Corporation), but until now their

activities have been confined mainly to carrying prospectuses and other advertising material for their subsidiaries or associates.

It will be interesting to see how the banks and finance companies respond to the move of the BNZ group, and whether they will adopt similar practices.

There are some difficulties. Apart from the ANZ, none of the other banks have shareholdings in finance companies approaching the BNZ's 40 per cent of BNZ Finance (UDC is a subsidiary of the ANZ). Consequently, it remains to be seen whether the banks will find the return sufficiently attractive in relation to their shareholdings if they push finance company business.

Secondly, the finance industry expects the banks to develop personal lending at a faster rate in future. This would probably occur at the expense of the finance companies, which would be in a tight competitive position.

Third, the mix of business in finance companies differs. Some companies are heavily involved in industrial and commercial lending. The use of a bank branch network would be less appropriate in those cases than the development of hire purchase.

Fourth, there is the problem of finding money for this type of business. If the Bank of New Zealand suddenly produces a mass of hire purchase through 231 branches, where will BNZ Finance find the funds to cover the deals in present tight money conditions?

The problem would be aggravated if, as expected, public sector ratios are raised on financial institutions later in the year. It is understood that finance company credit growth in April and May was above the 1 per cent a month maximum guideline announced earlier in the year. A similar trend in June will see

action, following the warning given by Finance Minister Muldoon when reserve ratios were increased for July in the trading banks. The authorities are not going to let around waiting for voluntary action if the first quarter of the financial year is well above the guideline.

The National Bank's introduction of Visacard this week follows the Bank of New Zealand's entry into the card business. Other banks are expected to set up their own systems.

Cards are seen as another step in a concerted drive by banks for personal lending business, beyond the led reached so far. The Commerce Commission's report on cards will be available later in the year, and could upset the business.

Assuming the commission's report is either favourable or neutral, the finance industry will see considerable changes in the next few years, provided controls on credit are tightened again.

The ANZ Banking Group's decision to offer shares in its local bank to the New Zealand public was the third development last week.

Behind the "appropriateness" mentioned in the press statement, can be seen the growing view that the New Zealand financial system should be localised.

As far as possible the eventual proportion of share to be owned in New Zealand is unknown, but there are tangible benefits in having local ownership in a trading bank, both political, and in terms of publicity. The late even covers the continued reference to the institution in the daily dealings of the Stock Exchange.

Three developments last week may be the start of a "changing face" of banking. They are a direct result of the greater freedom given to the banks in 1976.

Analysing annual accounts

by Peter V O'Brien

STEEL and Tube Holdings Ltd, the widely diversified manufacturer, contractor and merchandiser, had problems in its electrical and plumbing business last year. Analysis of the annual report shows that most subsidiaries have sales increases above the 10 per cent recorded for the total group.

The sales of A & T Burt Ltd, and that company's subsidiaries, apparently dragged the total group down to a 10 per cent increase.

The directors say that the "original" subsidiary before substantial acquisition activity, Steel and Tube NZ group, increased sales 12 per cent in monetary terms. CSI Engineering group enjoyed a 25 per cent lift, Robt Stone & Co Ltd mechanical engineers and contractors jumped 42 per cent, Pearson Knowles and Rylands Bros NZ Ltd (wire users) gained 34 per cent, and Bundy Tubing (New Zealand) Ltd (refrigeration and automotive tubing

manufacturers) went up 38 per cent on the preceding year.

But they are reticent about disclosing the sales position of A & T Burt Ltd, saying it "continued to feel the effects of the lack of demand in the building industry. Sales did not quite reach those of the previous year, with margins in most divisions being under pressure and profits suffering accordingly."

Whilst the actual production of electric motors by A & T Burt Electric Ltd (75 per cent owned) has been successful, lack of volume due to a market downturn prevented the full recovery of overheads resulting in a loss for the year, they said.

Total group sales went from \$108 million in 1976 to \$116.5 million, an increase of about 10 per cent, so it is clear apart from the absence of divisional sales figures that A & T Burt eroded the gains in other subsidiaries. Even those "gains" have to be adjusted for an inflation factor.

The profit and loss account adopts the growing practice of including profits from the sale of assets in pre-tax profits, that is, "above the line". While the practice may be in order for companies which are regularly involved in asset disposal, particularly properties where they could be considered "traders", the procedure seems inappropriate for Steel and Tube Holdings Ltd for two reasons.

First the company is engaged in manufacturing, contracting and merchandising. While figures for profit on sale of assets give no indication of the type of assets sold, a company with sales of \$116 million, and "capital" profit from asset realisation of \$91,000 (\$386,000 in 1976) is hardly in the business of "asset trading". The treatment might be valid for a group such as Brierley Investments, but appears out of place in manufacturing concerns.

The second factor is the wide fluctuation in these profits from year to year. Until 1975

such profits were treated as "extraordinary items", and in 1974 and 1975 arose from the sale of shares.

In 1976, Steel and Tube received \$20,388 from this source, rising to \$297,825 in 1977, to \$386,000 in 1978 and dropping to \$91,000 in the latest year.

If the procedure is accepted as "above the line", the net profit after allowance for minorities and retained earnings in associate companies, was \$5,266,000, compared with \$4,774,000 in the previous year. The group is still below the \$5,836,000 earned in 1977. The earnings rate on shareholders' funds was 12.5 per cent, as against 11.9 per cent in the previous year, and 17 per cent in 1977. In 1976 the return was 12.2 per cent following 12.5 per cent in 1975.

The figures show that the acquisition programme has done little to improve the earnings rate, although changing economic conditions have probably affected the return. It might be worse without the new subsidiaries.

But the A and T Burt group has received muted treatment in the report since 1977. The present state of the economy suggests that this subsidiary will continue to operate in a difficult trading climate.

The balance sheet is reasonably straightforward, when read in conjunction with the directors' explanation of changes to debt maturity, movements in stocks and debtors, and refinancing off-shore loans in New Zealand.

But there is a significant entry in the notes. Steel and Tube Holdings reorganised itself in 1977 in a manner which gave rise to "capital profits" in a new holding company. A note to the 1978 accounts reads:

"The company was previously named The Steel and Tube Company of New Zealand Ltd, but this was changed to Steel and Tube Holdings Ltd by special resolution of shareholders on August 18, 1977. From October 1, 1977 the steel merchandising activities of the company were transferred to a subsidiary.

Stewarts and Lloyds of New Zealand Ltd, which has been renamed Steel and Tube New Zealand Ltd. The trading assets of the steel merchandising division were transferred at book values and the properties at market value" (NBR emphasis).

This year a comment attached to movements in capital reserve says:

"Of the balance of \$3,587,000 in the reserve prior to the provision for the final dividend, \$3,102,000 is, in the opinion of the directors, available for distribution free of tax in terms of section 4-3 of the Income Tax Act, 1976."

However, the status of the \$481,000 arising from the sale of properties, resulting from the change of corporate structure reported last year is still under discussion with the Inland Revenue Department" (NBR emphasis).

Since the company has been distributing that reserve as tax free dividends there could be interesting developments from the "discussions" with the department.

Exchange rates

As at July 5, 1979, \$1NZ is	Italy	828.99	
worth:			
Australia	90.27	Malaysia	2.1824
Britain	45.48	Netherlands	2.0524
Canada	1.1761	New Caledonia & Tahiti	78.00
Fiji	83.01	Norway	5.0891
Japan	218.06	Pakistan	9.1610
West Germany	1.8447	Papua-New Guinea	
USA	1.0111	Portugal	on application
Austria	13.55	Singapore	48.30
Belgium	29.57	South Africa	2.1813
China	1.5311	Spain	66.72
Denmark	5.3104	Sri Lanka	on application
France	4.2306	Sweden	4.2914
Greece	36.64	Switzerland	1.6598
Hong Kong	5.1250	Western Samoa	3853
India	7.8649		

Key indicators

	Current Period	Previous Year	Per Cent Change
Consumers Price Index - all groups base Dec 1977 equal 100	March 79	1129	+10.90
Building Permits Issued	Feb 79	267,710	+3.90
Official Overseas Reserves	Feb 79	\$1150.1 m	+1.00
Registered Unemployed - 3rd	April 79	\$846.1 m	-19.00
Unemployment on special work schemes	June 79	70,004	+18.00
NZIC Share Price Index	July 5, 1979	333.21	+1.00
Reserve Bank Share Price Index	July 4, 1979	1300	+2.00

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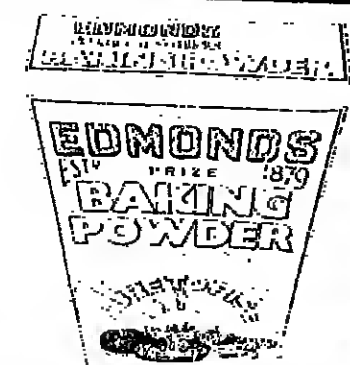
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Ministry probes club's cut-rate fare deal

Continued from Page 1

hire of club rooms and interest received.

The 1978 accounts show substantial income from two additional sources. One of these put down as "subsidy income" amounted to \$208,631.

The second "hotel accommodation" amounted to \$121,576. Total income for 1978 was \$371,429 versus \$29,857 for 1977.

A letter from Link's accountants, Mabee, Halstead and Kiddle, to the Assistant Registrar of Incorporated Societies, explains this change in income.

"As regards the subsidy income and hotel accommodation income that was shown in the 1978 accounts, prior to 1 July 1977 this activity was handled by one of the travel companies in the organisation. Consequently this type of income was not shown in the Link Associations accounts for the year ended 30 June 1977," the letter said.

The letter went on to say, "however, in order to comply with the IATA agreement this

activity is now handled by the Link Association and thus was shown in their accounts for the year ending 30 June 1978".

Sigerist said the hotel income came from overseas hotels in return for business generated for them by Link.

The income put down in the accounts as "subsidy income", Sigerist said, came from "overseas organisations". He would not name these organisations. But he said the subsidy did not come from any airline.

The ticket questioned by TAAZ was written on a Sabena ticket form.

When a ticket is written on one airline's form, and includes sectors in which the passenger is carried by another airline or airlines, the airline on whose form the ticket is written receives the full fare less the travel agents' 9 per cent commission.

In this case Sabena would receive the fare and have to pay Air New Zealand for the sector it served. The distribution of money between the various carriers is usually

handled by the IATA clearing house in Geneva.

In brief, the calculation works something like this: An airline issues a ticket from point "A" to "E", and charges it at, say, \$500 based on total mileage covered.

Suppose the sector "A" to "B" bears a tariff of \$100, "B" to "C" \$200, "C" to "D" \$300 and "D" to "E" \$400. Addition of the sector fares comes to a total of \$1000. But the passenger paid only \$500. So the carriers are each paid out on a pro-rata basis — in this case, 50 per cent of the tariff for their sectors.

Each airline bills the airline issuing the ticket for its pro-rata share. The process is called interlining.

To be accepted the ticket must bear the correct price for the total fare, in this case \$1000.

Sigerist said the airlines were paid the full \$1000 less commission.

The difference between this amount and the \$1220 paid by the passenger was paid by the Link Association.

Link holds the GSA for Sabana and Philippeans Airlines, under an associated company, Consolidated Air Services Ltd.

Consolidated acquired the Sabana GSA some years ago from the Australian Jetset boss, Isaac Liebler.

Liebler held the GSA for both New Zealand and Australia and sublet the New Zealand side to Consolidated. Consolidated has now taken it over completely.

Link's \$1220 fare is one of the best travel deals going in this country.

Link's membership is growing. And while TAAZ may be complaining about Link's fares, the travelling public are not.

Link also offers members an interest-free fly-now-pay-later scheme.

The member can pay 50 per cent of the fare in advance and the rest over 18 months. There is no interest — only a \$20 administration charge.

Saya Sigerist: "We started the service when we realised how many of our members

were being fleeced of 18 to 20 per cent interest on short term unsecured loans."

"We felt that was a lousy trick to play on people who had a death in their family."

"We found a way, and TAAZ don't know how it is done, where we can offer our members a no interest plan. During the last six years we have not had one bad debt", he said.

Link, through one of its associated companies, Link Resorts Ltd, recently bought into a hotel at Waiwera.

Sigerist said Link's next move was to promote New Zealand overseas and expand its inbound tour operations.

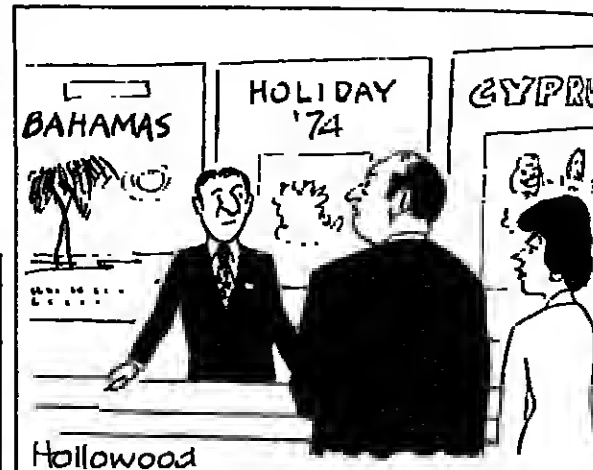
Air New Zealand's com-

petitors have been casting a watchful eye on the arrangement with Link.

Air New Zealand blocked all moves towards fare-cutting open skies policy for this country on the grounds that they can't afford it.

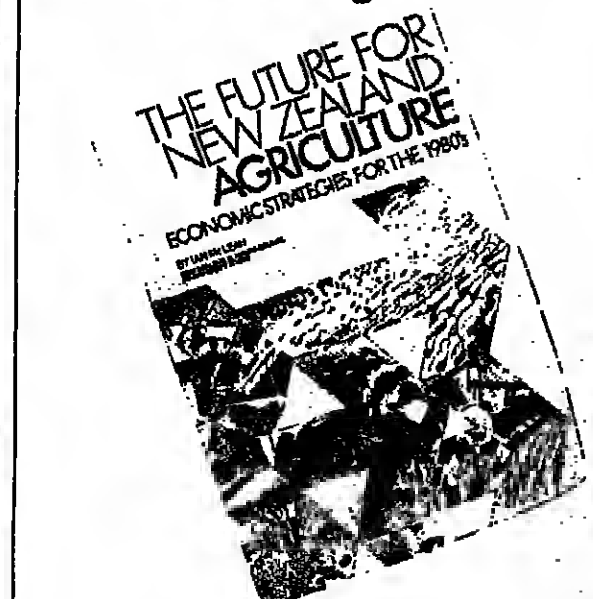
But if Air New Zealand entered into any deals with Link or any other agency, it has the effect of discounting fares and this has not been proven to be in the public interest.

Link's argument about being able to afford the cutting competition just because it is not wishing to alter competitors to participate in such deals — and a desire for Air New Zealand to retain a lion's share of the local bound market.



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'Energy exports' draw ecologists into fray

Energy Reporter

THE \$2 billion scheme for an export liquefied natural gas plant at Marsden Point is raising the hackles of the environmental lobby.

The public interest groups have never been enamoured with calls for the export of finite resources, and Shell's "conceptual plan" has sent them scurrying to the reference books to learn more about the safety aspects.

In the last few days the first draft of a book on LNG surfaced in Wellington. The book, Frozen Fire, is currently being printed in the United States, and is already adding new dimensions to the LNG debate.

In the first chapter there's a vivid account of the explosion at the huge LNG tank at New York's Staten Island on February 10, 1973. Workers were repairing a tear in the tank's lining.

"Suddenly, at about 1.10 pm, just after the men returned from lunchbreak, a violent explosion slammed through the tank, so powerful that it lifted the tank's huge domed steel and concrete roof clear of its supports. Tongues of flame leaped out through the gap, forming what one witness called 'a ring of fire' around the perimeter of the tank, framed by rolling clouds of sooty black smoke. Then the roof collapsed inwards, burying all 40 workers

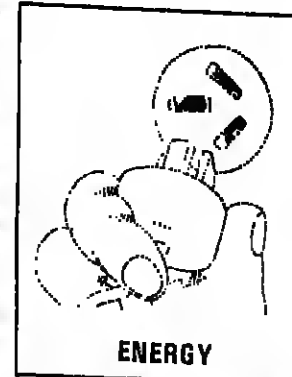
underneath with tonnes of debris. There were no survivors from the tank floor.

"Twelve hours after the blast, two exhausted firemen were lowered into the tank to survey the damage. When they were hauled up again, shaken, they described a wasted landscape of jagged chunks of concrete, twisted metal and charred forms, seen dimly through the smoke. One called it 'very eerie'; his companion added 'it was like a science fiction novel, or Dante's inferno'."

The book describes another LNG fire, in Cleveland, Ohio, on October 20, 1944. A small tank "sprung a leak, ruptured and collapsed".

The resultant conflagration "ragged out of control, killing and burning and mutilating everything in its path, gas explosions bursting people's homes like atom bombs, firework displays. When it was over, 130 people lay dead or dying, and over 200 were injured, some with scars that would never heal. Seventy-nine houses were totally destroyed, along with two factories and over 200 automobiles and trailers. It left a gritty swath across a 12 hectare section of the city. Fifty more houses and factories were partly wrecked. Property damage came to \$6.8 million, in 1944 dollars."

The oil and gas industries argue that Frozen Fire probably is correct in fact, but



is laced with emotional undertones. They point to the tremendous advances in the technology through the lost few years.

And there is no doubt about the tremendous expansion of the LNG market.

A recent issue of the Petroleum Economist says: "Current estimates at 1985 put imports by the industrialised 'free world' at some 170 billion cubic metres of gas a year as known as 'peak oiling' involves liquefying gas during summer months, then regassifying the liquid and

The experts say LNG will break the grip of Opec on the supply and pricing of liquid fuels.

But what is LNG? Why the fuss?

Liquefied natural gas is a cryogen; lowering the temperature of the gas reduces its volume.

At minus 161 degrees C at atmospheric pressure, 17 cubic metres of gas becomes 3 cubic metres of liquid.

The LNG technology involves storing and transporting the liquid to developing markets in the US, Japan and elsewhere where the liquid is regassified under controlled conditions.

It is used for heat in homes, industries and power stations.

The technology has also provided an answer in fluctuations in seasonal gas demand.

In the United States, what is known as "peak oiling" involves liquefying gas during summer months, then regassifying the liquid and

shipping it to markets during winter demand.

For a country like New Zealand, with crippling overseas payments for Opec oil, LNG is billed as a way to effectively swap Maui gas on the world market for oil.

Shell's scheme involves the construction of several platforms on the Maui field, a complex at Marsden Point, and a fleet of LNG tankers.

The company says it will require only the equivalent supply of gas that would have gone to the (now averted) Auckland Number 1 and Number 2 power stations.

It would yield \$500 million from overseas funds and locally produced oil condensate and LPG each year.

There is consensus from the oil companies that the LNG option is worth pursuing, but there is disagreement over whether it can be managed without the discovery of another gas field.

In the wings, are the

environmentalists, who oppose the scheme on safety grounds, and because it means exporting a finite resource.

The Government will not be able to ignore either of these concerns, but recent official statements are showing the sheer weight of the overseas exchange problem is causing a growing number of sympathetic ears to cull for "energy for export".

The safety question still needs discussion, but overseas market trends are showing increasing acceptance of the technology by producer and consumer governments.

It is in the light of the overseas experiences that safety issues will be argued.

In the meantime, the Liquid Fuels Trust Board is receiving the research of emigrants let worldwide on the options for the development of Maui. It won't be until the end of the third quarter that New Zealanders will learn about how LNG stacks up against the other options.



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Arizona forges ahead as manufacturers' utopia

by Warren Berryman

ARIZONA to the average New Zealander, is a land of cowboys and cloudless skies — a place to take one's sinuses.

But Arizona is something more. It is New Zealand's economic and political antithesis.

While New Zealand erodes its own tax base by driving productive earners overseas with penalty taxation, restrictive business practices, and bureaucratic harassment, Arizona is becoming a refuge for American firms who have fled the North and Eastern states for much the same reasons as businessmen flee New Zealand — high taxes, bureaucratic harassment, and labour unions.

Once known for its "three Cs" — cattle, cotton and copper — the sunshine state is now diversifying at incredible speed into high technology industry, particularly electronics.

The major attraction for the businessmen is Arizona's fourth C — conservatism, Barry Goldwater style. Ask an Arizonan what his state Government does for business and he will probably tell you, "nothing, we just leave them alone".

Arizona conservatism is so far to the right as to be beyond the ken of the average New Zealander.

Call it being left alone, laissez faire, or that old American principle that a Government governs best when it governs least, the Arizonans offer the businessman the limited government alternative. And business is booming.

The state can boast one of the fastest growth rates and one of the lowest levels of unemployment in the country.

Tucson, the old pueblo, 160 kilometres from the Mexican border relied heavily on its

copper mines. But then the bottom dropped out of the metal market dumping thousands of miners on the job market.

Last month National Semiconductor Corp established a new plant in Tucson that will eventually employ 2000 and create an additional 6000 jobs for its attendant service industries.

Less than two years ago, IBM established a plant in Tucson which already employs 1500 people and should employ several thousand more when it reaches full capacity.

And why do the industrialists come to Arizona? For a start, state taxes are lower than in the northern and eastern states. And state taxes are kept low by an avoidance of anything that smacks of welfareism.

Then, there is the Right to Work Law. Arizona, like 19 other American states, most of which lie in the Southern semicircle, has this law which says that no man can be forced to join a union or pay dues to a labour union.

The Right to Work Law states it is against the law for any employer to make an agreement with a labour union requiring employees to join the union in order to be hired, for example, closed union shops are outlawed.

The Right to Work Law is the subject of hot debate. Unionists argue that closed shops are consistent with the democratic idea of majority rule. They complain that in right to work states when a union strikes, scabs cross the picket lines, but when the strike is over, scabs still get the benefits without paying union dues.

Businessmen, and some civil libertarians argue that the freedom to comply with the majority is no freedom at all. The freedom of association, so

jealously guarded by Americans, is meaningless, they argue without a corresponding freedom to dissociate. Why, they ask, should a man, merely to get a job, be forced to join and pay dues to an organisation he feels to be unnecessary or worse, politically repugnant?

Campaigning for a Right to Work Law to cover the whole of the United States, the National Right to Work Committee points out that private sector unions sustained a net loss of \$86,000 dues-paying members between 1974 and 1976.

They claim that "union members now comprise only 20.1 per cent of the total labour force — down from about 25 per cent in 1955. And most of those workers joined a union because they had to — to hold onto their jobs".

In real political terms, the Right to Work Law doesn't add up to cheap labour for the businessman operating in Arizona. It does mean less union power, freedom from strikes, and a workforce that can change easily to meet new conditions without arguments.

about job demarcation, seniority, redundancy payments, etcetera.

Arizona employers will argue that if the worker loses anything by not having a powerful union behind him, he is compensated for this loss with job security knowing that a union will not price his labour out of the market and force his employer to close shop.

Tucson yields another example of solving unemployment with free enterprise rather than government intervention.

Just south of Tucson lies the Papago Indian Reservation. Lacking in skills, the Papagos often found themselves unemployed. First on industrial park was established on the reservation. Industry was attracted with the promise of relatively cheap labour on the proviso that they commit themselves to training the Indians.

Once they had their industrial park under way, the Papagos went one step further. They applied for, and won the right to establish a free trade zone around their industrial park.

A free trade zone is an enclosed area, controlled by United States Customs on United States soil, where manufactured goods may be imported, assembled, packaged, labelled, stored, exhibited, and sold without firms having to pay import duties, or taxes until the goods are taken from the zone.

In New Zealand terms it would be like setting up a Singapore in Otago or some other area of high unemployment.

For all intents and purposes it would be a duty free port — provided the goods manufactured in the zone were meant for export, no duties, taxes or import licensing would apply in raw materials or components imported.

Kindred products exported from the zone would attract duty when coming into New Zealand.

The Papago free trade zone promises to be a huge success. Shortly after winning approval early this year, five Taiwanese firms signed letters of intent indicating interest in locating there. Companies from Japan, Germany, and two large United States firms also expressed serious interest.

With a virtual free trade policy in manufactured goods in force, American firms are under strong competitive pressure.

So stiff is the competition in manufacturing and retailing that the New Zealander will find the United States like one huge duty free shop.

American manufacturers, though they pay their labour double to three times New Zealand wages, have to sell their goods at something like a third of the New Zealand price for a comparable product to remain competitive with

imports.

As a result, many American firms moved offshore to take advantage of cheap labour.

The free trade zone concept promises to bring at least some of those jobs back to the United States.

The Arizonans have another way to beat overseas competition without sacrificing their free trade principles. There is an abundance of cheap labour just across the border in Mexico.

Industry came to the border cities to establish what the Arizonans call the twin plant concept. In essence, the Americans supply expertise and capital while the Mexicans supply the labour.

Back in 1969, the Arizona-Mexico border town of Nogales had a population of about 50,000. The twin plant scheme started a boom that more than doubled this town's population as workers flocked in to take advantage of steady work — and by Mexican standards — good wages.

The scheme started with twin plants that straddled the border. Here, firms could cut management costs by having the same management team serve both facilities.

But as the scheme extended deeper into the hinterland of both countries, separate management schemes evolved. At present, some companies have one office in Tucson 100 kilometres from the border and another in a Mexican city 100 kilometres south of the border in Sonora.

The twin plant concept, or something like it, might appear attractive to, for example, an Auckland manufacturer and some South Pacific Island Government — if the New Zealand Government would drop some of its protectionist policies to let such a scheme proceed.

Boards freeze ABC out of base cargo trades

by Warren Berryman

ABC Containerline, the Belgian owned, cut-rate shipping line has been frozen out of the New Zealand wool and wool trades by the producer boards.

ABC offered wool exporters substantial freight rate reductions, but the Wool Board will not allow wool exporters to use the service. The board has forced wool exporters to use ships belonging to the conference price-fixing cartels.

ABC recently began carrying Australian wool at rates 23 per cent less than those charged by the cartels.

Even before ABC entered the Australian wool trade, the cartels which serve both Australia and New Zealand, were charging Australian wool exporters substantially less freight charges than were charged to New Zealand wool exporters. This occurred even though Australian elevating charges were substantially higher. In some cases Australian and New Zealand wool went on the same ship, the Australian bales being charged at a cheaper rate than the New Zealand product.

ABC has offered substantial freight reductions for dense baled wool. Dense baled wool is available in New Zealand only from the independent wool firms such as Blair and Company, Ferriers and Littlehales.

The Wool Board approved central wool facilities, owned by the "wool club" (Dalgety, Wrightson, NMA, the Wool Board and two shipping cartel members) do not have this facility.

The Wool Board's refusal to allow non-conference lines to carry New Zealand wool means, in effect, that the Australians gain a further freight advantage over this country — and the farmer in the line analysis — gets relatively less for his wool.

The Meat Board refused to grant ABC approved carrier status on the New Zealand-United States route. The New Zealand-United Kingdom and Europe route is still being negotiated.

The Wool Board's freight council is at present con-

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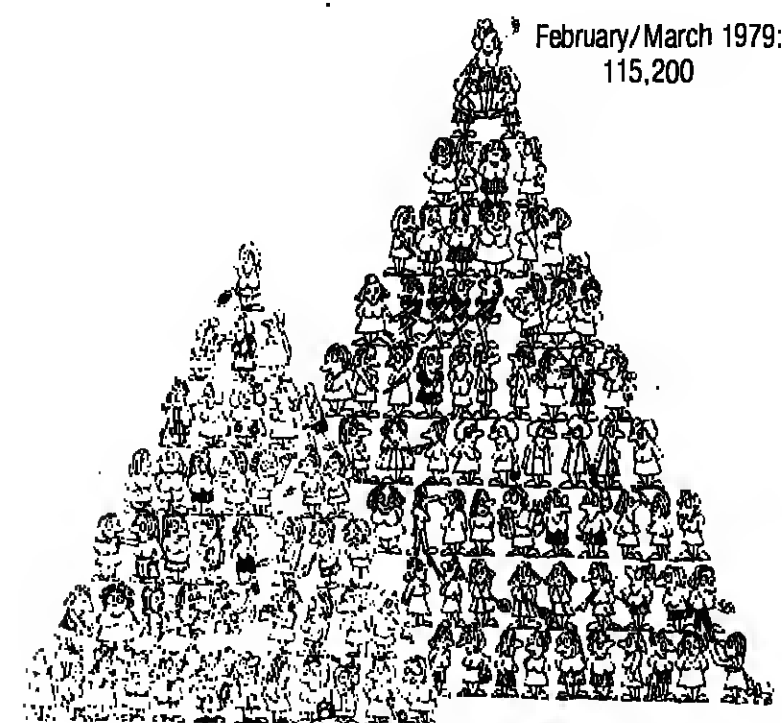
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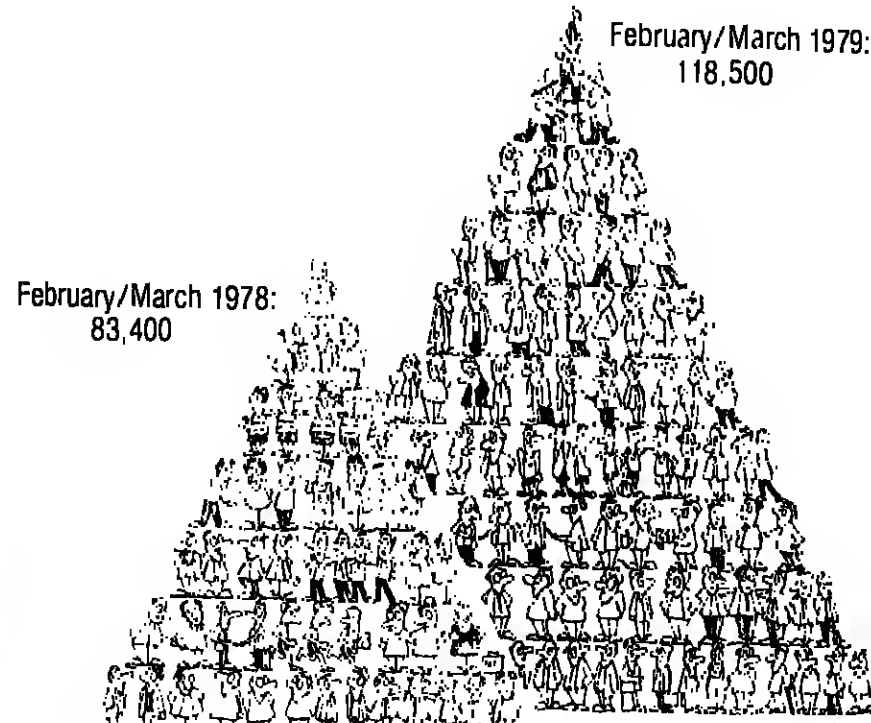
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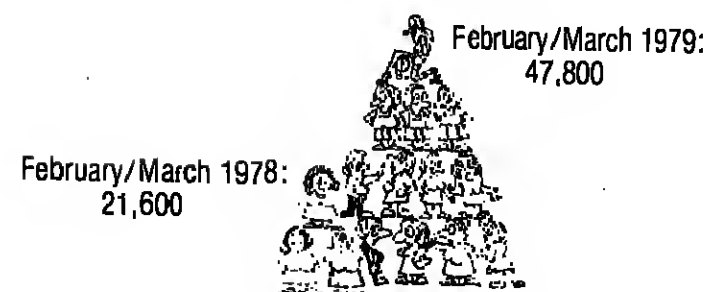
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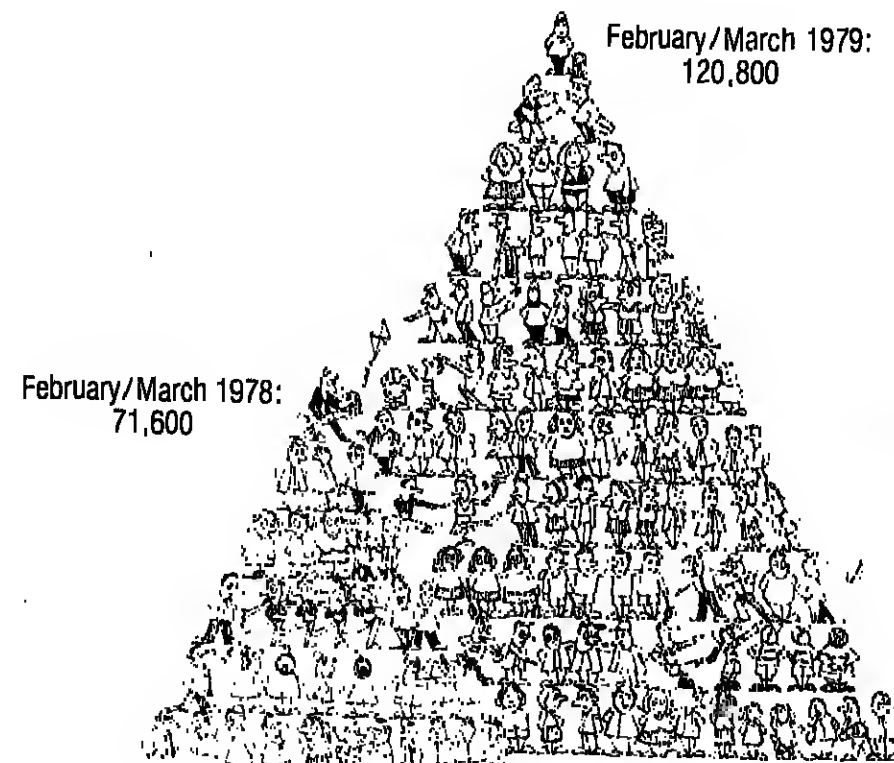
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Average thousands.



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Abortion epidemic

BOB Edlin (National Business Review May 9, "Abortion Committee — an ominous precedent?") has the card before the horse. The ominous thing about the Abortion Supervisory Committee is that it was necessary for it to be created at all.

To begin at the beginning, abortion is killing. It isn't, as Edlin seems to imply, just another item in a "health service". After all, what sort of treatment is it that ends up with a small human body in pieces in a jar or bucket?

There is no intention discernible in the report of the Royal Commission or the Contraception, Sterilisation and Abortion Act (1977) to set up an abortion service. The intention of the Act as far as abortion is concerned is "to provide for the circumstances and procedures under which abortions may be authorised, after having full regard to the rights of the unborn child". The Act empowered the Abortion Supervisory Committee, among other things, "to keep under review all the provisions of the abortion law and the operation and effect of those provisions in practice."

This is the law and it is inaccurate and misleading for Edlin to say that in Wellington recently, because of actions by the committee, a "health service provided for by statute collapsed". The committee was doing what Parliament, in free voting, had asked it to do. Not the Prime Minister, not the Cabinet, not the Government, not the bureaucracy — but Parliament. And it is idle to try to represent the actions of the committee as those of some clandestine arm of the administration.

Edlin begins his article by saying that the Abortion Supervisory Committee had intruded on the medical profession's internal arrangements to maintain professional standards. A

superficially impressive statement, slipping easily off the pen, but one which is empty of any meaning. What internal arrangements to maintain professional standards? There are more — or at least there are more that have been allowed to work. The profession as a body has been unable or unwilling to apply a standard, clearly expressed in its own ethical code, concerning respect for human life. It is precisely because of this that the abortion epidemic developed, necessitating a Royal Commission and an Act of Parliament.

That is what should concern those businessmen and professionals "who have no interest in the abortion issue" — the consequences of a profession and a society allowing itself to hold a selective morality and a double standard, supporting and healing some human lives one moment, suppressing and destroying other human lives the next.

M. H. Hume
Nelson

Policy yield poses problem

MR C. T. Reed in his letter "Policy Yield Slides Down" has posed the problem of inflation on contracts expressed in the fixed dollar terms. However the table which he published contains two fallacies which should be corrected.

The return on a single premium policy with a premium of \$1000 gross was not the same in 1961 as it was in 1977. Nor was the marginal tax rate a constant 30% from 1961 to 1977, nor was \$1000 fully deductible for life assurance premiums in each of these years, nor was such a guaranteed non-profit policy available in these years.

The return which he postulates of \$2000 for \$1000 premium after 10 years is not the most attractive available on the market — Commercial Union New Zealand guarantees \$2012 after 10 years for \$1000 premium.

I am sure Mr Reed could have expressed his conclusion much more simply by stating that the real rate of return on an investment can be found by deducting the rate of inflation from the after tax yield.

Can he suggest a better investment for a person with \$1000 to invest.

J. R. Hunter
Lower Hutt

Rowling plea gains support

OPPOSITION Leader Bill Rowling was quoted as saying he would like a Budget wrapped around tax reforms which put extra cash into the workers' pockets. We could not agree more.

ASSENZ has always advocated a restructuring of the tax system by reducing income tax and shifting the emphasis toward consumer or indirect tax. In this way the decision of the wage earner to

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keep his enlarged pay packet or pay the bulk of his tax by spending it would be one of his or her minkings.

Equally, such a tax reform might be seen by Mr Muldoon as his last chance to wrest the National Party back in the policies for which they were elected.

There are other ways a free enterprise system will help workers who have been brainwashed by the Government into believing that wage increases somehow cause inflation. This in turn has been the Government's excuse to up the wage price mechanism, which works perfectly well if allowed to do so, by imposing wage and price controls which never work.

It is no more possible to curb inflation by keeping down wages than to reduce blood pressure by putting the patient in a strait jacket. There is only one cause of inflation — Government spending. When the Government spends more than it raises in taxes, it is forced to increase the money supply either by printing the extra cash it needs to finance its spending or issuing credits beyond its deposits.

The Government causes inflation by debasing the currency. This was a capital offence 400 years ago which lost many a finance minister his head.

The unions should be left to work out their wages policies with the employers by the time-honoured process of collective bargaining while the Government looks after what is more properly its concern — control through the Reserve Bank of the growth of money supply.

M. J. Sampson,
General Secretary,
Association for the Survival of
Enterprise in New Zealand.

Dairy exports find market

SIR JACK Harris's article (NBR) on foxgloves and periwinkles seemed to be saying that the export prospects of the New Zealand dairy industry were so bad that it should be phased out and replaced with some of his suggestions. I find it hard to believe he was completely serious, but in case he was here are a few points to consider.

First, while not denying the problem of dairy surpluses in the EEC, the greater proportion of our dairy exports — about two thirds — go to other destinations than the EEC. While the dumping of EEC surpluses could badly hit some of these markets it will certainly not wipe out all of them, especially those being supplied with specialty products such as caseins and cheeses, which the EEC does not produce a surplus of.

Secondly, we are talking about substitutes for an industry which earned over \$800 million in export income last year. That requires a large volume of alternatives, even if they are exceptionally high value. Just incidentally it is unlikely many of these alternatives can match a new

dairy product which came into production this year. This is soluble protein, extracted from previously waste casein whey, and selling for in excess of \$3000/tonne.

But to look at some of Sir Jack's alternatives. Elderberry. Oddly enough this is already being used, and has been for some time. A farmer in South Canterbury produces a range of elderberry wines, and has combined this with tours of his winery to produce an interesting tourist attraction.

Poroporo (Solanum aviculare). This has gone well past the stage of experimental cultivation. A full scale factory for the extraction of the raw material solasodine from solanum aviculare grown commercially was opened at

Waitara in February. About 500 hectares is now being cultivated and it is planned to double this in the coming spring. The solasodine is extracted from the whole plant, not just the berries.

Foxgloves. Digitalis lanata is the species of choice for alkaloid extraction. This is not the plant growing wild in New Zealand which is D. purpurea. Digitalis-based drugs are being used less frequently these days anyway.

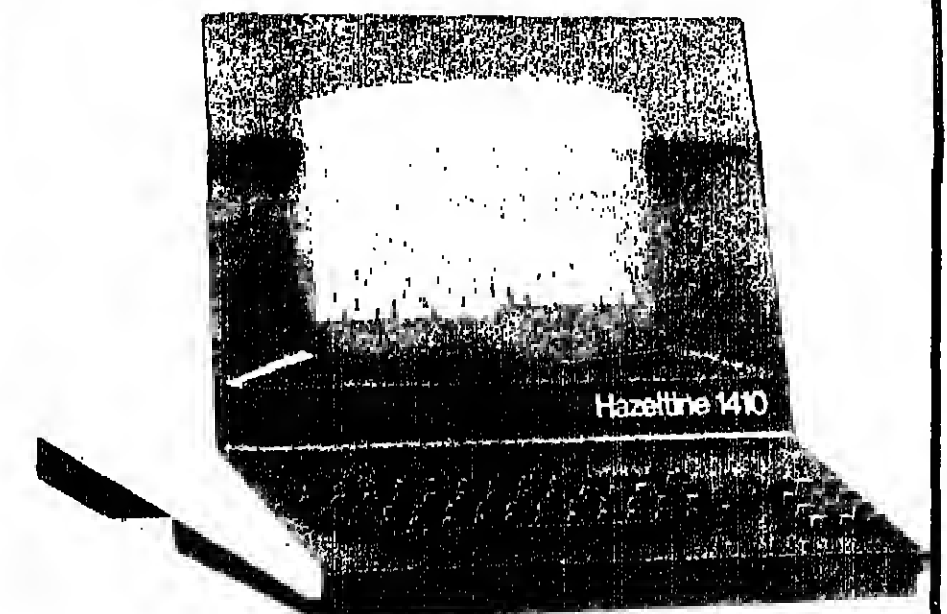
Gorse. If this can be converted into good cattle feed there are several thousand farmers who would like to know of the process. About the only method I know is to spray it, burn it, and plant grass, but I doubt that is what Sir Jack means. Gorse has been suggested as a possible answer

to part of our fuel crisis, so it may prove useful yet.

I don't doubt the good intentions of Sir Jack's article, but I wish he had done a little more homework first. Most of the things he mentions have been thought of and tried, and the ones that look profitable are going ahead. There is a tremendous willingness among New Zealand's farming/horticultural/small holder population to try new ideas at the moment — what they are really looking for is rather more guidance and assistance from the top, mainly in the form of being given the freedom to get on with the job, and gain a reasonable reward for their efforts.

Nell Henne
Birkenhead

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Australia drafts LNG export contracts

Melbourne
Correspondent

DESPITE strong opposition from top Australian energy experts it now appears certain that liquefied natural gas from major gasfields off the coast of Western Australia will be exported.

The North-West Shelf project, the largest engineering undertaking in Australian history, is expected to produce 6.5 million tonnes of LNG annually when production starts in 1985.

Following recent negotiations in Melbourne, partners in the shelf consortium announced the existence of a draft contract to sell the LNG to United States companies controlling the Californian gas market.

During these negotiations, representatives of the Southern Californian Gas Co. and Pacific Lighting, said the total annual production of the gasfields could be absorbed by the United States West Coast and their companies were



THE AUSTRALIANS

prepared to purchase it, starting in 1988-1987.

The project will call for \$4300 million over the next five years to bring the gas ashore, but it is expected to generate export income estimated at \$410,000 million.

Financing of the gasfields development is not likely to present any problems. After talks with the Australian Treasurer, Howard, a spokesman for Britain's largest bank, the National Westminster, said it was

willing to lead a banking syndicate to finance the development.

The relatively deep water in which the gasfields are located will make offshore production expensive. And firm commitments for the purchase of LNG in either the United States or Japan, are essential for the project's development.

A major partner in the shelf gas consortium, Woodside Petroleum Ltd, recently sent a marketing team to Japan where they found that events in Iran had encouraged great interest in the purchase of gas from Australia.

Woodside Petroleum executive director Charlton said the successful negotiations with the United States companies did not mean any slackening in their efforts to secure a Japanese market for the gas. A letter of intent circulated among potential Japanese buyers has elicited encouraging responses, and there have also been definite indications that Korea could be

a useful subordinate market for the North-West gas.

Although the United States companies have indicated their willingness to purchase the entire annual production of the gasfields, Woodside Petroleum have already agreed to sell eight million cubic metres of pipeline quality gas a day to the State Energy Commission of Western Australia.

At the company's annual general meeting in April, its Chairman, J G Donaldson, said the market for pipeline gas in Western Australia and the foreign LNG market were both crucial to the project's success.

When the Australian Labour Government was in office, it favoured the construction of a pipeline carrying North-West gas across the Western Australian desert to a huge national gas reservoir in the Cooper Basin, in South Australia, for subsequent transmission to the eastern States.

The present Federal Government abandoned the scheme, on the grounds that it would be better to sell the gas abroad to earn the money to pay for Australia's oil imports. With the rising price of oil, and the decreasing flow from Australia's existing oil wells, some of the country's foremost energy experts have strongly criticised the export of LNG.

At a Melbourne University seminar on Australia's energy needs until 1985, a senior Defence Department scientist called upon the Federal Government to make more use of the country's gas supplies. By 1985, he said, Australia would only be able to meet 30 per cent of its oil needs, leaving it economically and militarily vulnerable.

Both the New South Wales and Victorian gas authorities have also warned the present Federal Government against the export of the gasfields' production, arguing that part of the gas reserves should be conserved to meet the estimated shortfall of 1.5 trillion cubic feet of gas to the eastern States by the end of the century.

They have urged the Federal Government to construct a transcontinental pipeline, so far, the Government has rejected the scheme. Predictably the announcement that the North-West Shelf gas will be exported has led to renewed calls for a Government to rethink its opposition to the transcontinental pipeline.

Banks form foreign currency hedge market

Melbourne
Correspondent
AUSTRALIAN Bankers' Association chairman, Mr R J White announced the other day, the formation of a currency hedge market among Australian trading banks.

Australian trading banks have generally opposed the establishment of a non-bank currency futures market, proposing instead the operation of their own scheme to offset fluctuations in foreign currency. When Treasurer Howard announced in January his Government's support of a currency futures market, the banks moved swiftly to establish their own service.

White said the new foreign exchange market would meet a growing demand in Australia for comprehensive forward exchange facilities as protection against volatile foreign exchange rates. The prime purpose of the market was to cover foreign exchange movements by matching customers who had opposing risks; the banks acting as principals in writing the contracts on both sides.

Under the present official foreign exchange market, stringently controlled by the Reserve Bank, Australian exporters and importers expecting payment in foreign currency can sell their contracts to the trading banks. In turn, they cover their risks through forward dealing with the Reserve Bank itself, but the facilities under the current arrangements cannot be extended to those expecting future payments of borrowings or income from abroad.

The absence of such general protection in the past has led to substantial losses by some Australian companies, and the growth of a "grey market" among brokers matching transactions overseas. By contrast the new arrangements will cover not only the export and import of commodities and manufactured goods but also the intangible: capital, dividends, freight, and insurance.

In another significant departure from current practice, the trading banks will permit those not directly

involved in trading or exchange transactions to participate. Such speculators will also be allowed to trade on both sides of the contract, in contrast to the present "grey" market where the speculator is limited to one side of a contract.

One major Australian trading bank has already, however, lost about \$200 million in a break faith with valued corporate customers. The company was initially quoted the going market price from a merchant bank, a then in error, offered a favourable rate from a trading bank. The bank told its customer that it, however, the customer incurred by the error, but the bank confirms its position, expressed by some observers, that Australian trading banks could not successfully operate the currency hedge market without relying heavily on the experience of the merchant banks.

The merchant banks themselves proposed operation with the trading banks in selling up the "grey" market, but the offer declined. In practice however, the trading banks, depending considerably on the knowledge of the merchant banks in their operation of basic practices of the currency hedge market.

In turn, leading merchant banks have already applied for membership of the Sydney Futures Exchange following the Federal Government's approval of the establishment of currency futures trading later this year. A spokesman for the Australian Bankers' Association said that Australian trading banks were also considering membership. When that is established, the Australian currency market will comprise the official Reserve Bank service, the trading bank exchange, "grey market", and the Sydney Futures Exchange. The resulting blend would welcome if it led toward a full foreign exchange market.

New law has not stopped investment invites—yet

by John Draper
SECURITIBANK - style fund-raising techniques are still being used despite efforts to control them in the Securities Act passed by Parliament last year.

Investors are recruited by offers of advice, or investment opportunity advertisements, without any financial details being disclosed.

Both big and small investors are the target, drawn into direct contact with the firm seeking to borrow money.

Pressure from investors who lost heavily in Securitibank and other company crashes, prompted the Government to act.

The Securities Commission was the Government's answer. It was given wide ranging powers to control the issue and content of prospectuses and to ensure that money is not solicited without such details being made available.

But the commission has yet to take its full powers. And the Justice Department which controls the current law, the Companies Act, is too overworked to watch every fund raising issue.

The Justice Department is not particularly interested in five figure plus investors. NBR has been told that those people ought to be able to look after themselves.

The facts differ. A husband and wife together lost \$38,000 when Securitibank went down, money they had invested on the advice of their accountant.

Retirement savings of \$35,000 were lost by one person when the Universal group crashed. That money was placed on the advice of an investment consultant.

Similar losses by individuals are recorded against the Mark Craig Group and JBL.

An example of "investment opportunity" soliciting is a letter received by some Wellington solicitors from Kevin Morris, the managing director of McQuarries Admalt Ltd.

Morris writes: "I have been requested to write to a selected list of business people and companies in the Wellington area who may have sufficient free capital to invest in some worthwhile business opportunities. My client is a large multinational company with substantial worldwide investments in the motor trade industry, but for reasons which will become apparent at an interview, do not wish to disclose their identity until then."

"As there will only be so many investment opportunities immediately



THE LAW

available, I suggest it would be to your advantage to make yourself known to me without delay.

"Your reply in writing will be treated as strictly confidential, and as soon as received, arrangements for you to meet at a time convenient to yourself, will be made by a company representative."

"By replying you will be way put yourself under any obligation."

Morris was reluctant to talk about the letter.

The method had been used several times before for clients who wished to remain anonymous, he said.

People responding would get a letter thanking them for their interest while their credit rating was established.

"If they were found to be suitable, Morris said, they would then be contacted and invited for an interview."

"We are only interested in people with \$50,000 plus to invest," he said.

Morris declined to tell NBR who the multi-national company involved was. He did say, however, that the opportunities offered had also been advertised in the Manawatu and Wairarapa.

Around the same time, a McQuarries advertisement appeared in the Manawatu Evening Standard offering petrol service stations for sale or lease.

"Chances to get into the service station business do not emerge frequently," it read.

If you have some finance... get in touch with us now. We'll be delighted to have a chat with you without any obligations."

Morris refused to confirm or deny that there was any link between the advertisement and the letter sent to some solicitors.

The oil companies are barred by law from owning more than a handful of petrol stations. But they have been known in the past to use agencies like McQuarries to

select suitable owners for service stations that do occasionally come up for sale. Morris was unabashed by suggestions that the letter might be questionable in terms of the Companies Act and the Securities Act when enforced.

Morris claimed the recipients of the letter had been carefully selected — solicitors with trust funds to administer were one of those who might be interested in the investment opportunity, he said.

A recent Australian court case decided that people selected at random could not be held to be the public.

But the new Securities Act states in section 3: "Any reference in this Act to an offer of securities to the public shall be construed as including a reference to offering securities to any section of the public, however selected; and a reference to offering securities to individual members of the public selected at random and a reference to offering the securities to a person if the person became



KEVIN MORRIS... reluctant to talk.

known to the offerer as a result of any advertisement made by or on behalf of the offerer and that was intended or likely to result in the public seeking further information or advice about any investment opportunity or services — whether or not any such offer is calculated to result in securities becoming available for subscription by persons other than those receiving the offer."

A dossier of similar letters, other circulars and advertisements is being collected by the commission while it works to define its powers.

Three broad topics are being given top priority: financial advertisement; the form and content of prospectuses; and the standardisation of some legal documents.

Patterson says it is unlikely

A following subclause excludes "any person who in all circumstances can be properly regarded as having been selected other than as a member of the public."

An "offer" is described as including "an invitation, on any proposal or invitation to make an offer" and "securities" as "any interest or right to participate in capital, assets, earnings, royalties or other property of any person."

Securities Commission chairman Colin Patterson is "very interested" in McQuarries' letter.

"It is exactly the sort of thing we would like to look into," he said.

A dossier of similar letters, other circulars and advertisements is being collected by the commission while it works to define its powers.

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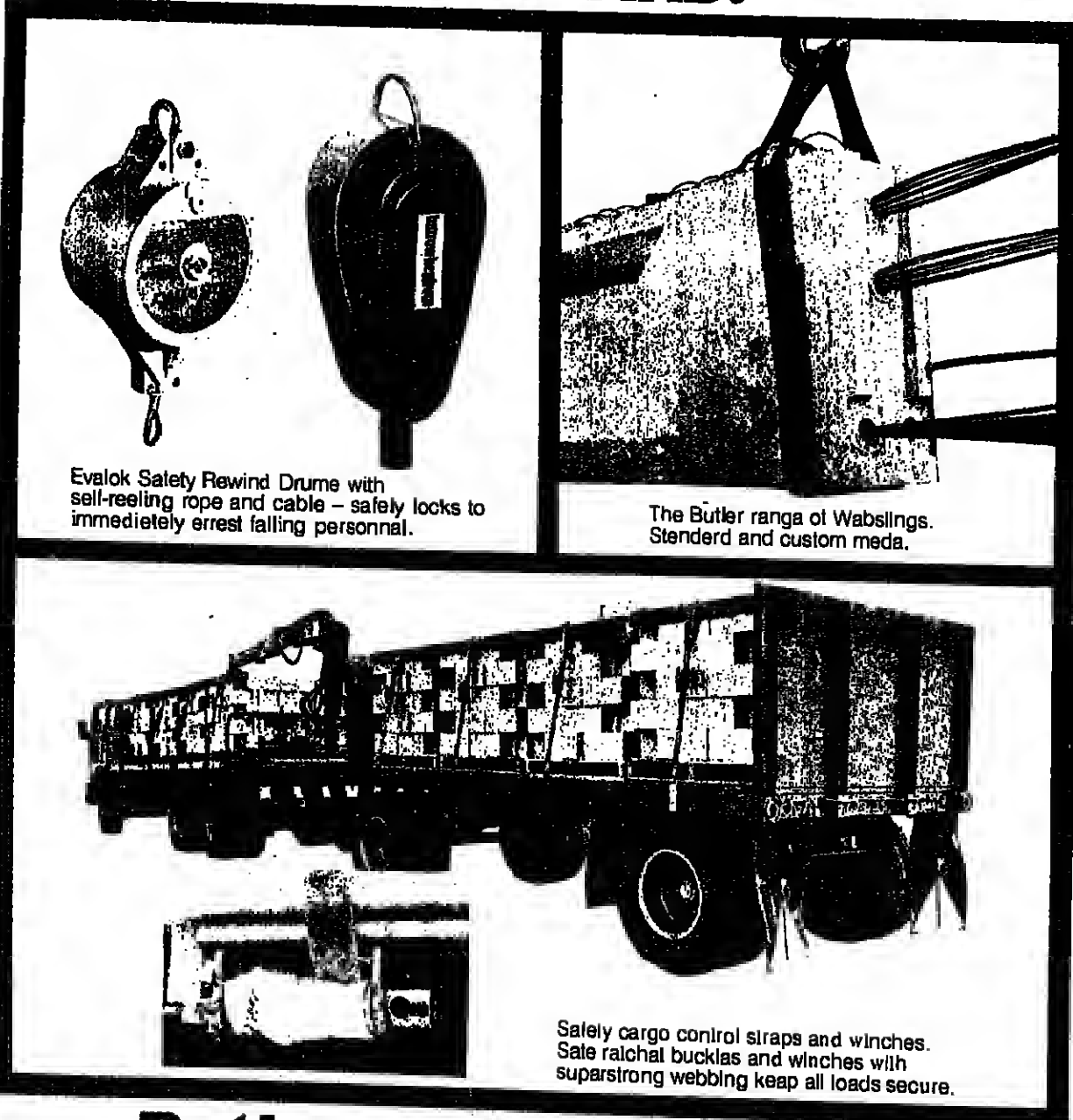
COLIN PATTERSON... must give certain data.

that the commission will be ready to put the Securities Act into force until the middle of next year.

"What the law contemplates is that where securities are offered to the public or individuals solicited from them to take up investments, then the person who is soliciting the offer must give certain financial data."

"We think this is an important point," he said.

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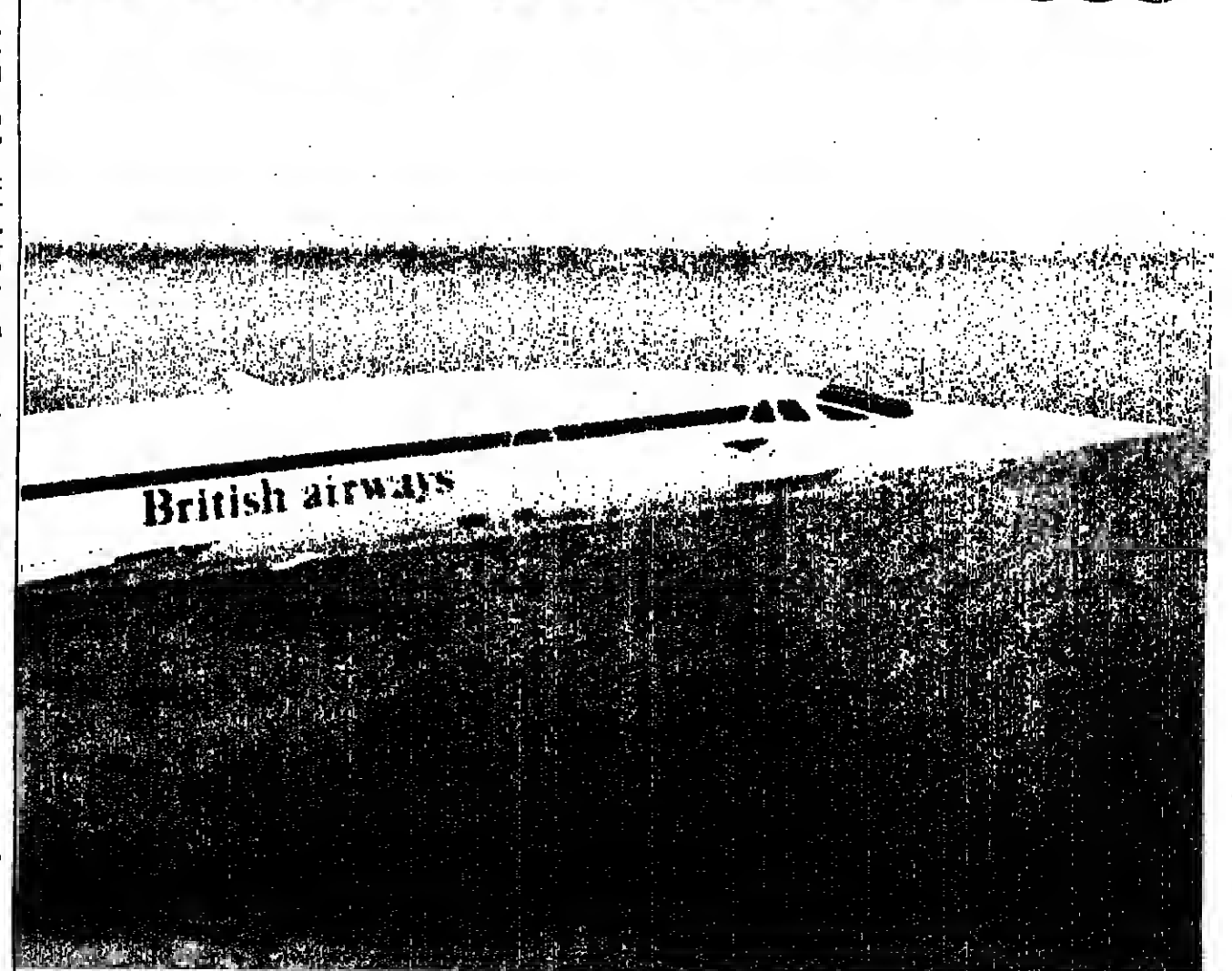
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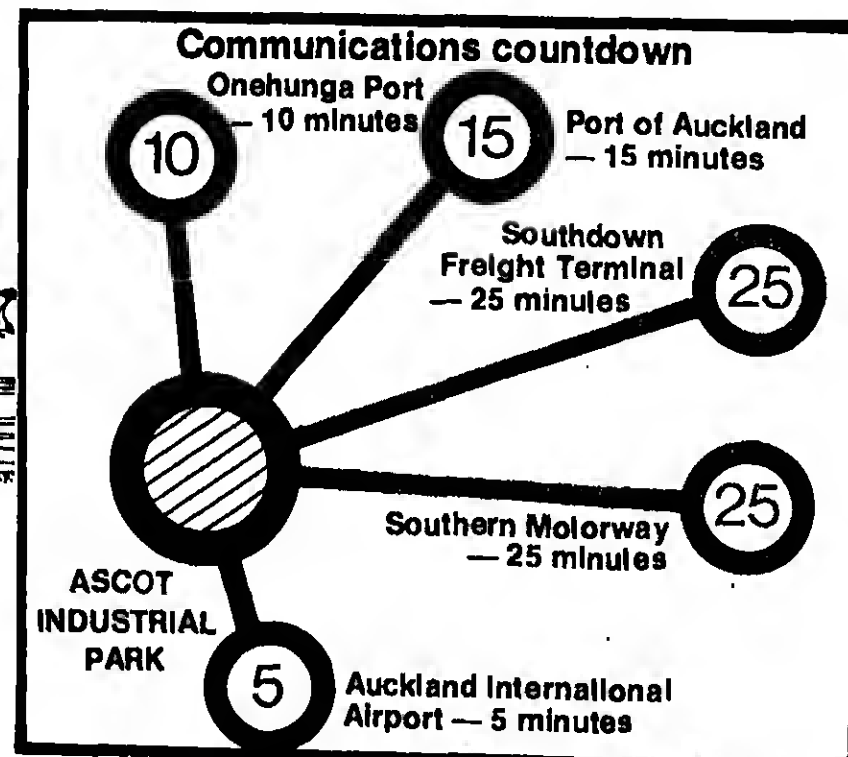
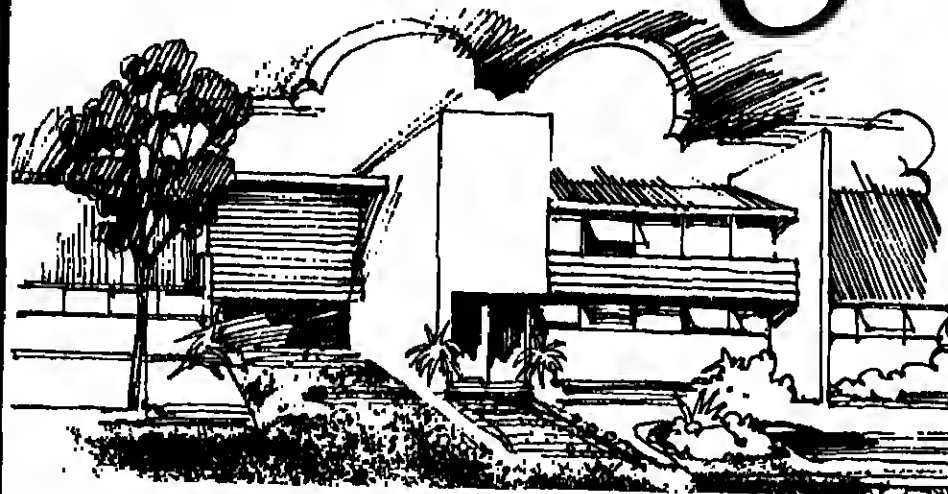
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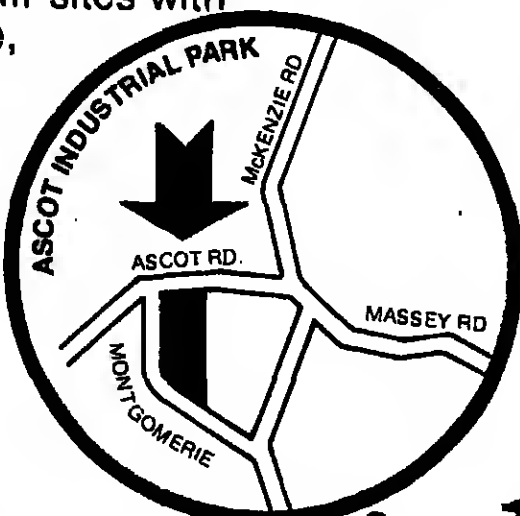
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Some 242 teams entered this year's BMG and they have come from such diverse areas as Government departments, chemical, furnishing, motor and motel companies as well as entries from chartered accountants, finance companies along with several private entries.

The team with the highest profit after period four of the first round is one from Fibremakers NZ Ltd with a profit of \$12,049,000 while the team with the greatest margin over its nearest competitor is a team of Christchurch chartered accountants. Their winning margin at present is \$2,849,000. The team with the smallest margin is a Lower Hutt team, George Stuart and Associates, who are ahead by a mere \$5000.

Few of the leading teams have margins of more than \$1 million over their nearest competitors. BMG Administrator, Dr Mike Jamieson of ICL, set the teams a fairly hard task for the first four decisions they had to make.

In the first three they were told that industrial action meant they were unable to buy plant to expand production. At the same time the market was buoyant. Teams that took the hint and trimmed marketing expenditure to the bone, as well as pushing their prices as high as possible, made real killings. Jamieson said.

For the fourth period, teams were told they could now buy plant but that the "government" was moving to mop up excess liquidity. Many teams expanded production levels drastically and now, with some in serious cash difficulties having paid their taxes, many of the leading teams are going to have to look to their laurels over the next three decision periods in order to retain their lead.

In a change from previous years, ICL Business Management Games the two teams with the highest profit in each game will go forward to the second round.

Accordingly the names of the leading teams and the profits of the team closest to them have been listed this year.

The following is round one halfway position for five team games except where denoted +, which are four team games.

In game A44, the leading team is Aulsebrook's with an accumulated profit in \$,000s of 8,206 with the next team on 5606; AB4, B E Consolidated 8207 (8136); ACS, Beecham Research Lbns 7871 (7817); AD2, National Chartered Accountant (Auckland team) 7453 (6992); AEC, Columbus Maritime Services 7255 (6747); AF3, Fibremakers NZ, Team 2 11,232 (19900); AG3, Fibremakers NZ, Team 1 12,449 (12,519); A13, Felix Furnishing Group 9882 (9154); AJ5, MSI Manufacturing 9090 (7755); AK2, IDAPS Computer Science (NZ) 10,574 (9948); AL2, Middletons Taylor 8420 (7346); AM5, J & R Stevens 10,534 (10,068); AN3, NZ Finance, Team 3 8385 (6330); CB4, UEB Industries (Papatoetoe) 9463 (9264); CC5, Auckland Hospital Board 10,725 (9255); CD1, Tasman Pulp & Paper, Team 3 8168 (8479); CE3, Trigon Plastics, Team 2 11,036 (10,224); CF2, AutoLodge, Hamilton 6841 (9999); CG2, Whitstone Wallboards 9232 (9436); CH3, Rangipia Syndicate 9172 (9871); CI4, R F & M W Schwartz, Team 12,571 (12,422); CK2, MWD, Thorngate 9685 (8880); CL2, Trefor Enterprises, Hamilton 9533 (8808); CM2, Hastings City Council 8807 (8246); WN4, Bain Company (NZ) 9651 (9297); WB4, Civil & Civic NZ 7039 (7577); WC3, Dyes & Chemicals 11,358 (10,176); WD4, Ford Motor Co, Team 3 10,223 (9553); WE3, Gini Syndicate, Wellington 12,203 (10,864); WF2, Ford Motor Co, Team 4 5687 (5581); WG1, Ford Motor Co, Team 1 10,389 (9583); WH4, Wellington Chartered Accountant 8840 (8328); WJ2, MWD Head Office, Wellington 11,138 (10,404); WK5, A King & Associates, Lower Hutt 10,138 (9420); WL4, George Stuart & Associates, Lower Hutt 9065 (9080); WM3, B McCulloch & Associates, Wellington 10,862 (9704); +WN3, Dept Social Welfare, Head Office, Wellington 10,812 (9839); SA3, B P (NZ), O H Section 11,227 (10,241); SB2, Ministry of Transport, Head Office 932 (978); +SC1, State Insurance, Head Office 7819 (9866); +SD2, Alliance Freezing Co (Southland) 11,685 (9490); SE4, Downer & Co, Dunedin 7352 (8208); SF2, National Chartered Accountant (Christchurch Team 1) 10,174 (9697); SG4, Homes & McKenzie, Sargill 7808 (7420); SH2, National Chartered Accountant (Christchurch Team 2) 7439 (7272); SJ5, Christchurch Chartered Accountant 8891 (7146); SK1, National Chartered Accountant (Dunedin Team) 9594 (6629); SL1, Christchurch Chartered Accountant 12,287 (9618); SM2, Latimer Holdings, Christchurch 10,854 (8808).

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Wildlife fights for safe haven

by Belinda Gillespie

THE Internal Affairs Department seems an unlikely haven for the New Zealand Wildlife Service. But that's where it is, and where it will stay, despite efforts by other Government departments with conflicting interests to transfer it.

The Wildlife Service has a history of thorough investigation. Of 11 studies in the last 15 years, the most famous is the 1968 Iltum Report, and the most recent that of the National Research Advisory Council working party, whose recommendations were published last year.

One of Wildlife's problems is shared by other scientific institutions — to what extent should the roles of research and administration be integrated? The latest committee (the NIARC Wildlife Research Working Party), looked at the organisation of research, but put off the question of administration of the division until the review was completed.

It was however, concerned with management which, in wildlife terms, is management of the animal itself as opposed to wildlife administration — the machinery for administering both research and management.

In general, the working party agreed with its two immediate predecessors, recommending that research and management should stay together regardless of how the wildlife area might end up or be restructured.

Considering the number of Government departments which have a piece of the Wildlife action, small wonder that the committee found some gaps, overlaps, and unprofitable lines in various fields.

Besides Internal Affairs, the Ministry of Agriculture and Fisheries and the Forest Service, each has a slice in relevant areas.

So does Lands and Survey, the DSIR, particularly through its Ecology Division, and the Ministry of Works and Development.

Also involved are 24 localisation societies, largely concerned with the management of game birds and game species of freshwater fish. Straddling all these agencies are a host of committees with representatives from various disciplines.

The conclusions of the latest committee report are similar to many of its predecessors. There is no broad wildlife policy into which research projects and priorities fit, and the total research effort is unco-ordinated. Management, split amongst the various departments, is confusing and inefficient. Communication between research and management is unsatisfactory.

Although research into "problem mammals" control (deer, opossums, goats etc) — in which the DSIR, the Ministry of Agriculture and Fisheries, and the Forest

Service are involved — is part of wildlife management, its emphasis on destruction is considered incompatible with wildlife management as a whole which is working towards the conservation of native species in particular.

The working party came down in favour of one organisation in which wildlife research and management could be a homogenous entity, and where the operations of the various agencies could be integrated.

This organisation "should have as much autonomy as is consistent with the prudent expenditure of public funds".

Its nucleus should be the existing Wildlife Service of Internal Affairs, plus certain Fisheries activities from the Ministry of Agriculture and Fisheries, and some thought should be given to adding activities of the DSIR Ecology Division.

Problem mammals control should stay where it was, the implication being further that Wildlife should not go to one of the departments which was exploitation and destruction rather than conservation oriented.

Nevertheless, it should come under the umbrella of one of the Government departments, but with responsibility to a statutory authority to give it the necessary autonomy.

The "unifying elements" of Wildlife were identified as environmental protection, recreational opportunities, habitat preservation, and the conservation of native species.

Since the departure of the former Director of the Service, Dr Gordon Williams, to take up

a professorship at Lincoln College, the latent question of which department should have the Service, and how it should be run, has come into the open.

Professor Williams' position has been advertised as a purely administrative one, graded considerably lower than it was previously. The down-grading of what was before a high scientific and administrative post is, in Williams' view, evidence of the State Services Commission's determination to wrinkle Wildlife out of Internal Affairs.

Reducing the grading means that no suitably experienced scientist is likely to apply for the position, and the appointment of career administrator will be to the detriment of the service. It means also that Williams' former deputy — a scientist, and a member of the Wildlife occupational class all his working life, can't be appointed to the job without giving up that status.

With extensive experience of wildlife organisations both within and outside New Zealand, Williams has grave fears for the future of the service if it is moved to any other department. He claims support for his view that it should stay within Internal Affairs from informed members of a number of scientific societies and sportsmen, as well as his former colleagues.

Although admitting the need for more streamlined administration, Williams points to the United States Fish and Wildlife Service, a section of the Department of the Interior, as a precedent.

Williams suggests that the policy whereby Government departments can't criticise themselves or each other is unproductive. This led to long-standing strains between organisations, and a "postman's knock" situation where the public remained in ignorance of the implications of bureaucratic decisions; the situation with the Wildlife Service being a case in point. "Unnecessary secrecy and over-protection of Departmental vested interests" benefited neither the agencies themselves nor the public.

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by Helen Vause

THE New Zealand boat building industry has always been a fragmented, and in many cases, shoe string operation without united representation.

It took the imposition of hefty sales tax in May to unite the industry. But even then, the hastily organised lobby was only partially representative and had no channels through which to collect accurate industry statistics.

When the sales tax was introduced, the industry's angry howls attracted patchy publicity but still no real picture of the industry emerged.

It is conservatively estimated that there are about 300 boat builders round the country. But there are no figures available on aligned operations such as sailmaking and marine equipment companies.

Before the 20 per cent sales tax was introduced on May 17 lines were tough enough. More than a dozen had closed their doors.

In Auckland at least two companies were in receivership. Others were operating only at a fraction of their capacity.

Nevertheless, out of the predominantly Auckland-based industry, an international reputation for both design and building quality has been well established.

This reputation has turned some otherwise uncompetitive export items into internationally desired products and exports had increased tenfold in the last two years.

With an estimated 110,000 pleasure boats in the country about half of them in the Auckland area, New Zealand has one of the highest boat ownership rates on a per capita basis.

According to an Otago University survey released last year, the industry employs about 2000 people, has a turnover in retail value of around \$65 million of which \$4.5 million is exported.

Before May 17, the industry was aware worse times were ahead and that some increase in sales tax was likely. Accordingly, some had the foresight particularly mass production concerns to reshape their operations. But even the more pessimistic had not anticipated a tax hike of 20 per cent.

Whether they were exporting or still just thinking about it, no one had counted on the local market being virtually wiped out overnight.

The many one-off builders who'd developed their reputation with large expensive custom-built boats, could scarcely change course anyway and twenty per cent on top of a \$250,000 contract was obviously a far greater catastrophe than the same percentage on a three metre runabout.

Despite disastrous forecasts from the industry, Government has reconfirmed that the tax is here to stay, for the short term at least.

Increasingly, the industry is accepting the tax as a matter of fact. But there is still an active battle for some degree of reprieve.

This is led by Murray Barrett, president of the Boating and Marine Industries Association which represents about 50 members of the industry.

Barrett still says Government will at least partially back down if presented with enough information on the industry's potential.

His association estimated that 30 per cent of the industry

Snap sales tax plunges NZ boat

WHEN Government hit the boat industry with a 20 per cent sales tax several weeks ago there were howls of disbelief. The industry united briefly, determined to fight what it then thought had to be a ghastly mistake.

Government, boat builders believed, would see it was bringing the industry to its knees, that hundreds of people would lose their jobs, export prospects for many would be wiped. And certainly, they reasoned, Government would see the unfairness of retrospectively taxing the thousands of dollars worth of work already underway.

Many felt the decision had been made on the basis of little or no research.

But now the dust has settled. Hopes of a reprieve are rapidly

working soon will be laid off and that that figure could climb to 50 per cent by the end of the year.

Already 11 member companies have said they will close down.

His association's survey of export growth shows exports in 1976 were only \$350,000 and climbed to \$3.5 million by 1978. Our research shows that this year's figure would now be at least the \$5 million mark.

Barrett said: "Export growth has been excellent in recent years and the potential was great."

"Successes came from sheer skill and perseverance in the face of deteriorating local conditions. By wrecking the local market this tax has wrecked the necessary base for an export future."

"The tax was not researched at all - no member of our association was approached for data. Further, our Government took no notice of developments in the boat industry around the world," he said.

Barrett points to developments in Korea. The Government there has licensed 20 boat builders who will receive

assistance to develop an export industry designed to build over 4000 yachts with a value of \$100 million a year by 1981.

"The base is here - why the hell can't we look to an export future like that?", asks Barrett.

"The industry has had its share of problems already with the fuel crisis, rising material costs, and fairly heavy component taxes drifting on steadily over recent years, but no one could have been prepared for the latest blow."

"It is morally wrong for Government to change the rules after the game has already started by taxing work already underway. Further, they have now given the private individual an advantage by backing down on taxing them. We are the ones who provide employment and revenue, not the backyard builders," he said.

Initially, private individuals would have been liable to pay the tax but they are now exempt unless they sell their boat within two years.

Barrett said he was angry that the New Zealand Government did not heed what

happened in Britain in 1975 when VAT was increased on the industry from 10 per cent to 25 per cent overnight.

British industry representatives say United Kingdom sales almost stopped altogether and boat building headed for "annihilation" within weeks of the increase. Within a year VAT in the British boat industry was cut back to 12½ per cent.

Six months after the massive increase research by the British Ship and Boat Builders' National Federation showed decreases in orders of 61 per cent, a decrease in monthly enquiries of 40 per cent and a cut back in employment of 17½ per cent.

One British industry source writing to New Zealand says of the British episode: "The revenue received was considerably less at 25 per cent than was the case when we had 10 per cent VAT. The pressure put on several small businesses caused bankruptcies and in total must have reduced the exports of boats from this country, as virtually all manufacturers rely upon a good home market as a base from which to operate in the more competitive export fields."

And for the industry at home, the British pattern is already too familiar.

In Whangarei the results of the sales tax are more easily assessed than they are in a large city like Auckland.

Whangarei has 18 boat builders. Two hundred people are employed directly in the industry and about a further 100 indirectly as contractors: plumbers, painters, solihumers, upholsterers, engineers and hardware suppliers.

Foster Southey, chairman of the local boat builders' association said about 50 people will lose their jobs in the next three months. He said there was \$950,000 worth of work underway, or on order before the sales tax, of which \$450,000 has now been cancelled.

Forward orders in the town for the end of this year are nil, Southey said. "Our decline will not be spectacular, just the final death gurgle - we were already at subsistence level."

"Northland already had severe economic and employment problems. Was this ever a consideration of Government's? At the moment we are loathe to call for consideration as a special case but when people lose their jobs up here there is nowhere else to turn for an income other than

the dole queues."

"What can this measure bring to Northland other than serious economic and social consequences?" he said.

It could be conservatively estimated that the 300 affected Whangarei workers would be supporting at least a further 300 dependents.

Two local builders have already gone to Australia to look into taking their businesses there. Meanwhile, the Northland group is one of several looking into the legality of Government's retrospective tax on contracts already underway.

Southey said the sales tax on boats could be a one tax too many for the local Customs department. "They are still ramping about trying to license ice cream parlours to collect that new tax too - it is bureaucracy gone mad."

In Auckland too, embittered boat builders are planning their export-or-sink strategies against a similar backdrop of sackings, company collapses, cancelled orders and severe loss of confidence.

Even at Salthouse Brothers, where more than half the eight metre plus boats are produced, talk is of surviving rather than thriving.

The company has a turnover record between \$1.4 million and \$1.75m for the last couple of years. Their exports total \$0.9 million.

Chairman John Brooke said: "If this had happened a couple of years back we would have gone under. We will survive but we are going to have to look at putting our man moulds and expertise overseas. Co-operative ventures will bring profit back here and give the people we work with overseas the advantage of our expertise."

"The standard of design and boat building in New Zealand is world class - we can compete only on a quality basis - there is no other way we can compete with Hong Kong, Taiwan and Korea."

"We have developed from a small family business to a limited company by reason of quality and excellence in design. Our throughput has risen to a high of \$1.8 million a year but has dropped back to half this figure."

"We have actively developed overseas markets for New Zealand products and in addition we have exported moulds, manufacturing know-how, design and know-how to Australia, Sri Lanka, Korea and Hong Kong."

"A sound export business depends on our ability to hold

holding. The industry has fallen back into its customary state of fragmentation as individual companies plot survival tomorrow."

The shakedown pattern is emerging: those in weaker positions have already gone under or accepted that they will go under since current work runs out; others are looking for loopholes in the law to slide the tax away.

At least half a dozen companies with export markets already established, have sent men overseas to look at taking their capital and expertise out of New Zealand territory.

Those who are staying behind to battle on, have no illusions about the future - their domestic market is in tatters, their export base is wiped.

good staff and a steady local market. Today our domestic market has collapsed.

Unwittingly, Salthouses have exported boat builders too.

"Of the 15 apprentices we have trained in the last 10 years, nine are now overseas in good, controlling jobs. Whilst it's flattering that they are in demand, it is bad for New Zealand in the long run. It is the skilled who can get New Zealand back on her feet."

In all, Salthouse Brothers have trained 30 apprentices. This year there will be no new apprentices for the first time at the yard. "The outlook for them is just too grim," said Brooke.

"The Government's suns just won't work out. The talented young men will go and the industry may never regain its potential," he said.

One talented young man thinking of leaving New Zealand is Phillip Thackway at Kumeu engineering. This is a small operation in staff terms, but he specialises in large expensive custombuilt boats.

He is not affected by the sales tax because his orders are all for export. Thackway says he is simply "fed up" and finds the sales tax repugnant on principle.

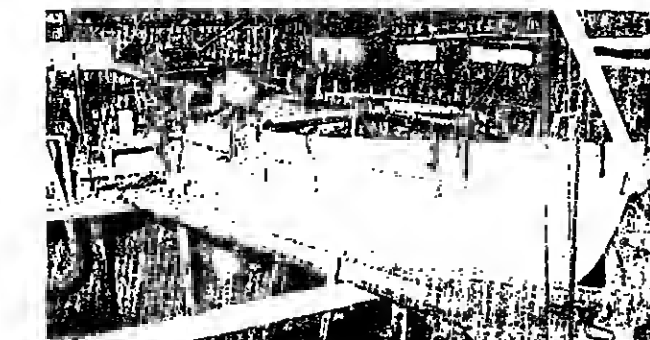
He has exported \$1 million worth in large boats and has a further \$2,050,000 on order.

"I am seriously considering taking my orders with me and setting up overseas. Why stay? The only thing skilled people are motivated to do by the Government is to leave," Thackway said.

Since the announcement of the sales tax, many boat builders have been looking at transferring their operations to Australia. But Peter Gribble of Sea Nymph has already come home believing the grass is not greener there.

Sea Nymph is a major producer of power boats and more recently trailer sailers at

builders into deep water



BOAT BUILDERS... battle continues for some degree of reprieve.

both, is dead. Hoelen said all his domestic orders have been cancelled. He rejects rumours that his company is on the brink of collapse.

"I have been in this business a long time. I will survive. But I admit the boat building business has never been very profitable. It is too labour intensive and it is very unfair to tax the labour content," he said.

Hoelen has been exporting in volume for three years and is proud to point out that he was the first to export trailer boats to Australia.

At the Fibre Glass Moulders factory where the Fleetline and Haines Hunter small fibre glassboats are built the picture is equally bad.

Manager Tony Bridget expects his annual turnover of \$1 million to drop to \$150,000. His company has diversified into unrelated areas and he expects to need this sundry work to keep the boat building arm afloat.

"It is bad business but it is the only way we can hope to build up our export future," Bridget said.

"Mr Muldoon opened our factory just a few years ago with enthusiastic words about initiative and private en-

terprise. How can we have any confidence in this when Government turns around and wrecks all that we have built up?"

Paul Whiting at Paul Whiting Yachts is another established builder who is thinking of moving off. In the last two years his company has exported \$170,000 worth of boats and accessories.

"Without the dramatic market we can't keep that up. We have to think about moving off - there is no incentive left here," Whiting said.

He says layoffs are inevitable in his factory. Boat builder John Lidgard has already laid off two of his 10 staff. He has four up-pretices and is reluctant to sack them: "That would finish

the future," he says. "The local market is finished. Anyway, the sort of people who can afford to buy boats are leaving in their droves too."

Lidgard is going to visit the United States where he hopes to sell ocean racers. Meanwhile much of his factory space at home is occupied by a large unfinished boat because its owner has told him to stop working until he has explored the legality of the retrospective sales tax.

Lidgard says he would consider taking his operation out of New Zealand but it is already committed to building a new factory.

At Yachtspara NZ Ltd, leading manufacturers of spars and rigging, Max Carter wouldn't confirm that his company is packing up and leaving but agreed the idea had been discussed. Meanwhile he is busy arranging for other skilled people to leave.

Carter has been asked to recruit skilled workers for both Sri Lanka and Taiwan. "I have been finding people for that part of the world for the past 18 months," he said.

"The companies expect them to work hard but they can't big money, tax free and they get free accommodation, free food and free transport. Builders in these countries get soft loans and loans wiped off if certain targets are

reached. The incentives are certainly there and skilled New Zealanders are in demand in the boat building industry," he said.

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both, is dead. Hoelen said all his domestic orders have been cancelled. He rejects rumours that his company is on the brink of collapse.

"I have been in this business a long time. I will survive. But I admit the boat building business has never been very profitable. It is too labour intensive and it is very unfair to tax the labour content," he said.

Hoelen has been exporting in volume for three years and is proud to point out that he was the first to export trailer boats to Australia.

At the Fibre Glass Moulders factory where the Fleetline and Haines Hunter small fibre glassboats are built the picture is equally bad.

Manager Tony Bridget expects his annual turnover of \$1 million to drop to \$150,000. His company has diversified into unrelated areas and he expects to need this sundry work to keep the boat building arm afloat.

"It is bad business but it is the only way we can hope to build up our export future," Bridget said.

"Mr Muldoon opened our factory just a few years ago with enthusiastic words about initiative and private en-

terprise. How can we have any confidence in this when Government turns around and wrecks all that we have built up?"

Paul Whiting at Paul Whiting Yachts is another established builder who is thinking of moving off. In the last two years his company has exported \$170,000 worth of boats and accessories.

"Without the dramatic market we can't keep that up. We have to think about moving off - there is no incentive left here," Whiting said.

He says layoffs are inevitable in his factory. Boat builder John Lidgard has already laid off two of his 10 staff. He has four up-pretices and is reluctant to sack them: "That would finish

the future," he says. "The local market is finished. Anyway, the sort of people who can afford to buy boats are leaving in their droves too."

Lidgard is going to visit the United States where he hopes to sell ocean racers. Meanwhile much of his factory space at home is occupied by a large unfinished boat because its owner has told him to stop working until he has explored the legality of the retrospective sales tax.

Lidgard says he would consider taking his operation out of New Zealand but it is already committed to building a new factory.

At Yachtspara NZ Ltd, leading manufacturers of spars and rigging, Max Carter wouldn't confirm that his company is packing up and leaving but agreed the idea had been discussed. Meanwhile he is busy arranging for other skilled people to leave.

Carter has been asked to recruit skilled workers for both Sri Lanka and Taiwan. "I have been finding people for that part of the world for the past 18 months," he said.

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THE MANUFACTURERS

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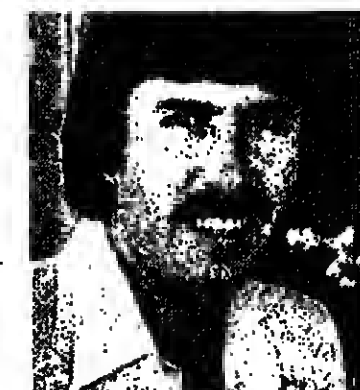
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How much does laundry cost your business?

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Think about it.



"It's time someone cut back your laundry costs! That's why we developed the OPL Great Alternative to 'outside' laundries."

Ian W. Moosa
Managing Director
On Premise Laundries Ltd

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the size of your business, chances are an OPL system will save you big money, too.

The OPL laundry package offers:
• Heavy duty industrial washers and dryers designed especially for OPL.
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The backing of one of New Zealand's leading sales and service organisations.

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As an alternative to "outside" laundry services, OPL gives you far greater flexibility, plus positive cost-saving advantages. Because with an OPL system, your laundry costs are being reduced to an absolute minimum!

You keep complete control
Now there's no chance of being charged for the laundering of unused items! OPL means the laundry stays on your premises, so you keep control. And you'll never run short again!

Which way you look at it, OPL makes sound business sense.

Now there's no chance of being charged for the laundering of unused items! OPL means the laundry stays on your premises, so you keep control. And you'll never run short again!

Dear Mr Moosa,
I would like to know more about how OPL can save money for our business.

Name _____

Position _____

IBM draws lottery

by Stephen Bell

RESULTS from the long-awaited IBM 4300 "lottery" emerged late last month, with leading opposition companies ready to start chasing the unlucky candidates who face a long wait for a 4331 or 4341.

The lottery is drawn to decide the order of delivery to customers who placed their order within six weeks of IBM's announcement of the new machines — a period termed by IBM the "first-day window".

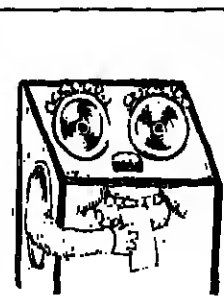
A strict delivery according to the sequence of order placing might penalise a company with a wait of several

more weeks for a machine when its order had been signed only a few minutes after that from another company.

IBM, in accordance with its usual policy, has declined to comment on the lottery results, but first indications are that for the 50 or so prospective New Zealand users, the front of the 4341 delivery queue lies some time around October next year and for the unlucky back end clients, delivery will be delayed until the last quarter of 1981.

Many of these, including such prominent customers as the Dairy Board, will not be prepared to wait this long and will be considering alternative solutions.

In practice, this will almost certainly mean going to another manufacturer, though



COMPUTERS

IBM will undoubtedly be pitching various of their earlier machines as "stop gap" solutions, to retain the accounts.

The 4331 situation is better, with latest deliveries still well within 1980.

The first 4341 machine in the

country — or one of the first, since several may arrive together — is likely to be Dalgely's. Although New Zealand's unexpectedly heavy orders may have stretched the queue a little, Dalgely DP manager Peter Crawford fell the front end of the queue was where he expected it to be, and was not disappointed with the prospect of a year's wait.

The eyes of many late 4341 customers will undoubtedly turn first to ICL, with its IBM-compatible Advanced System 3 Model 5. As well as producing a machine claimed to require no conversion of IBM software, ICL is offering attractive price-performance and most important, a 60-day delivery time.

The AS/3 is perhaps a little too powerful and too expensive for some prospective 4341

owners, and ICL plans, shortly, to produce another machine, matching it more closely. Another "plug compatible" are in the market yet in New Zealand, so users who change their mind will be faced with a conversion task.

With high-level languages and software "migration" aids, program and data conversion is not the daunting task it once was, but many users could still consider it the lesser of two evils.

With the additional impetus of IBM's good reputation for support, some are confirmed "IBM shops", and will resign themselves to the long wait. There are many rival machines to choose from, of course, with Burroughs new B2930 and 3950 and ICL's 2950/10 and 2956/40, among others, being released specifically

with an eye to meeting the threat.

Even some of the "small machine companies, like the agent International Data, see its prime machines, especially those of picking up some of the 4331 market.

Bar code gets airing

Public comments at the first public airing of plans to produce "bar codes" in the month, it seems increasingly likely that this country will enter into a joint arrangement with Australia, to implement a joint Australian code, which could be adopted by other Pacific countries as they came into the system.

Australian guests at the day bar coding seminar in Wellington stressed the advantages of a joint approach as well as giving the Zealanders a view of the implementation of the bar code scheme in Australia and the United States.

Failures and shortcomings of past bar code implementations were not made under the carpet, but the speaker was expressed that the Zealanders would learn the other countries' mistakes. Particularly evident was the necessity to consult through beforehand with all parties likely to have reservations about the printing of code goods.

This would include unions, consumer organisations and regulatory bodies, as well as those representing retail distribution, and publishing and packaging industries, it would be directly concerned with the code's implementation. Several representatives of such bodies were either present at the seminar, or sent submissions.

The bar-code, already familiar on goods imported from the United States, consists of printed vertical bars of varying thickness, which are "scanned" by a moving bar of light in either a dot-matrix or a line-matrix reader.

The code, identifying the manufacturer and line of goods, is read into an electronic cash register or large computer system, which looks up the price of the goods in a table.

This is the chief labour-saving aspect of the system: goods need not be individually price-marked — but at the same time it is a powerful cause of discontent.

The Universal Product Code, adopted in the United States, consists of 12 digits: a system code, identifying the general type of merchandise; five digits for the manufacturer; and a final check digit.

The system likely to be adopted by New Zealand is the European Article Numbering system. This adapts UPC to include a two-digit code for the country of origin, allowing the same manufacturer and goods code to be used with different meanings in different countries.

These two-digit codes are rapidly being allocated to countries, said speakers at the seminar, and one advantage of a joint approach with Australia is that New Zealand will not need to allocate a code of its own.

The billion individual goods still available world-wide, believed, be sufficient to allow lines of goods in both Australia and New Zealand.

The 1979 Budget moved cautiously in the direction of the Planning Council's proposals on health and income maintenance. But this has not resulted in reduction of costs, the primary intention of the Council's important report, *The Welfare State: Social Policy for the 1980s*.

In the year ended March 1979, health expenditure amounted to 14.3 per cent of total Government spending, and the same proportion will go to health in 1980.

The comparable figures for social services spending, mostly social welfare, and within that mostly National Superannuation, are 27.1 per cent for 1979, and a whopping 29.2 per cent for 1980.

In 1951 health required 8.2 per cent of total Government expenditure while in 1971 and 1975 used 11.7 per cent.



In the health area, the Government proposes to spend more this year on community health projects, a central emphasis in Planning Council thinking.

And while the Budget notes restraints already applied to hospital board grants, it says nothing about the mechanisms which the Policy Council intends will cut costs: improvements in the way hospital boards are funded; the introduction of systematic manpower planning; and the establishment of an evaluation



team to monitor all important health expenditure proposals. Nor does the Budget reinforce the Planning Council's call for the urgent need to establish policy objectives in the health area.

One broad objective suggested in the report is for Government health policy to "move away from a pre-occupation with the delivery of health services and toward creating an environment in which it is easier for individuals and communities to form habits which will promote physical and mental health."

The council illustrates this principle in action with some

sensible suggestions about encouraging a more healthy approach to alcohol, tobacco and drugs in general. The suggestions focus on lifestyle changes, but include another idea picked up in the Budget (with somewhat different intentions) — higher taxes on alcohol and tobacco "designed to persuade people to take more responsibility for their own health."

Neither the Planning Council, nor the Government will face up to what really rips apart the public health system in New Zealand. This is the continued, flourishing, existence of state-subsidised "private" health operations: medical insurance and hospitals.

Neither would exist without the enormous Government subsidies for capital works, drugs, laboratory services, costly staff training, accommodation, cheap Government loan money, and the tax system which subsidises private medical insurance.

The debilitating result, is to drain the public system of those resources it most needs to provide efficient, varied care, energy and concern, finance and personnel.

This movement of resources in favour of those who can most afford to pay, has set in motion a vicious circle of public health decay. Inadequate public services lead to further growth of the subsidised alternative, which in turn takes more from the public facilities and further increases dissatisfaction with them.

The Planning Council not only fails to draw attention to this cancer in New Zealand's health arrangements, it seems to consider it a viable alternative. "It is of course open to individuals to supplement through private (sic) health schemes the services provided by the state," the council said.

So despite the many excellent suggestions for improving the health care, the Planning Council's concern for cost-effectiveness and justice is severely limited, and it is little wonder that the report admits at one point, "... it is extremely difficult to arrive at an appropriate rate of health expenditure."

The challenge still remains in New Zealand to devise a public health care system that we can afford, allows sufficient choice and variety, and is equitable.

I do not have such fundamental reservations about the Planning Council's thinking on education. On the contrary, here, I think the Council mostly breaks out of a strait jacket of the past.

Even the language is remarkably free of those plous euphemisms we often use

when talking about education — except when the report deals with today's biggest problem child in the system: the capital-gobbling university. But if the words are wrong on this institution the Council has got the music right.

The section on education is deceptively short and simple, but it gets to the central core of reform. The call is for a deliberate disciplined diversity of educational provisions. Though it does not say so, the report indicates that if we concentrate on what and who education is for, in the first instance, problems of teacher and morale, widespread dissatisfaction with schooling among parents and pupils, will then fall into place.

For early childhood education, the report notes significant societal changes with respect to the family and the role of women, and recommends improved access to pre-school facilities — among other things, to provide an early base for diagnosing difficulties and doing something positive about them.

The council endorses the many strong features already existing in this sector: the variety of family, community and state involvement; the lack of standardisation and red tape; and the flexibility. They are almost entirely the unheralded patient work of New Zealand women over the past three decades, and they provide a useful model for other levels of education.

For primary and intermediate schools the council recommends diversity rather than smaller class size: recognition of different educational needs in the community — different cultures, slow learners, gifted children, special difficulties, special interests — and the training and continual re-training of teachers to respond to those needs.

At the secondary level the report continues the call for diversity, the re-training of teachers and for schools to work more closely with the community. Above all, the council wants to see secondary schools break free of the cloying university-based snobbery that has tripped so many children in unsuitable academic programmes, and develop alternative programmes for other talents and energies. The school certificate system should be replaced.

Teachers at all levels will appreciate the council's encouragement of more mobility of staff within the education system and also wider and more flexible bases for recruitment, to obtain a greater variety of experiences among teachers.

In general, the Planning Council calls for a greater openness within education and between it and the community at large so that each may receive stimulation and purpose from the other. This theme is particularly strong, as it should be, with regard to tertiary and continuing education.

The Planning Council is plainly most perplexed by the universities which have taken by far the greatest amount of increases in state spending on education. At this point the report gets expansive, the language euphemistic and the recommendations vague.

There should have been a call for a clear and examination of New Zealand universities by a skilled ob-

server, impartial, yet committed to the fullest development of the potential that is within our society.

I have long been uncomfortable at the gap that exists between New Zealand universities and the society which pays for them. If over the charge "wealthy, criss, materialistic, inefficient, vulgar and poorly led" should be heaved of any section of New Zealand society, it seems to me to apply most to the universities. Only academic, among our institutions, has so relentlessly pursued its own selfish directions and been so immune from public accountability.

Not wishing to delve into this murky area of education, the Planning Council simply and sensibly "recommends" that the prospective rate of growth in university expenditure be reduced. But this is not enough for New Zealand to better harness the creative energy that is misdirected, or lies undeveloped, at present.

From what the council says and does not say about pre-school and primary education, one can see the recognition that the costly development of auxiliary services to "pick up the pieces" of school failure, the solution of the past thirty years, is no answer. It is better to make a surer job of teaching the appropriate skills in the first place. This is a major redirection of educational thinking.

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The Planning Council is plainly most perplexed by the universities which have taken by far the greatest amount of increases in state spending on education. At this point the report gets expansive, the language euphemistic and the recommendations vague.

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